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REPORTS BY THE CHAIRMEN OF THE INFORMAL CONSULTATIONS CONDUCTED AT THE SEVENTH SESSION OF THE AD HOC GROUP ON THE BERLIN MANDATE

Note by the secretariat

CONTENTS

		Paragraphs	Page
I.	INTRODUCTION	1 - 4	2

Annexes

I.	Quantified emission limitation and reduction objectives	3
II.	Policies and measures	40
III.	Continuing to advance the implementation of existing commitments in Article 4.1	54
IV.	Elements related to institutions and mechanisms and introductory and final clauses	61

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I. INTRODUCTION

1. At its seventh session, the Ad Hoc Group on the Berlin Mandate (AGBM) agreed to a proposal by the Chairman of the AGBM to convene informal consultations under agenda item 3 on the following matters: quantified emission limitation and reduction objectives; policies and measures; continuing to advance the implementation of existing commitments in Article 4.1; and elements related to institutions and mechanisms and introductory and final clauses (see FCCC/AGBM/1997/5, para. 11).

2. This present document contains the reports by the Chairmen of these informal consultations, which were presented to the AGBM at its final plenary on 7 August 1997.

3. It was emphasised during the informal consultations that all paragraphs would remain open for final negotiation and were not agreed, including all words and phrases within each paragraph, and that existing brackets within each paragraph would not prejudge the status of that paragraph.

4. A number of Parties also noted that there were some important inter-linkages between the different elements of the reports by the Chairmen. They further noted that the inclusion of proposals in any section of the text would not prejudge consideration of those inter-linkages and that the negotiating process would need to allow for them to be properly addressed.

Annex I

QUANTIFIED EMISSION LIMITATION AND REDUCTION OBJECTIVES

A. Coverage

1. For the purposes of this agreement, quantified emission limitation and reduction objectives (QELROs) shall apply to anthropogenic emissions by [all] sources [and anthropogenic removals by sinks] [for which agreed inventory methodologies exist] [not including land use change and forestry] of [carbon dioxide (CO_2)/the greenhouse gases [from the source categories/sectors] listed in Annex [G]/all greenhouse gases not controlled by the Montreal Protocol] [weighted by global warming potentials (GWPs) with 100 year time horizons, as listed in Annex [G]].

1.1 Methodologies for establishing anthropogenic emissions by sources [and anthropogenic removals by sinks] shall be the best available methodologies accepted by the Intergovernmental Panel on Climate Change (IPCC) and as decided upon by the Conference of the Parties to the Convention at its third session (COP 3). [Where such methodologies are not used, appropriate adjustments shall be applied according to methodologies agreed by the [Conference/Meeting] of the Parties.]

[1.2 The criteria for [the addition of greenhouse gases [or source categories/sectors] to the list in Annex [G]] [or] [for agreeing new inventory methodologies or GWPs] [are/include] the following:

(a) The availability of an agreed value for the relative GWP of the greenhouse gas;

(b) The availability of a comparable methodology for the accurate estimation of anthropogenic emissions by sources [and anthropogenic removals by sinks] of the greenhouse gas; and

(c) The significance of the greenhouse gas in terms of its contribution to global warming.]

[1.3 The first Meeting of the Parties to the Protocol shall decide on criteria for the addition of greenhouse gases [or source categories/sectors] to the list in Annex [G].]

[1.4 Based on the work of the IPCC, the Parties shall regularly review, and as appropriate revise, [the list of greenhouse gases [and source categories/sectors] in Annex [G]] [and] [agreed GWPs [in Annex [G]] and methodologies] [with a view to including other greenhouse gases [and source categories/sectors] not controlled by the Montreal Protocol in Annex [G].]

[1.5 [Any changes to a GWP or methodology] [The greenhouse gases [and source categories/sectors] added to the list in Annex [G]] shall only apply to QELROs which are adopted after [such changes are agreed] [their inclusion].]

B. Nature of target and baseline

As yet, no consensus has been reached on QELROs. A number of proposals based on a flat rate approach have been consolidated in this text. As in other parts of the text, the Parties recognise that when consensus on the establishment and nature of QELROs is reached, further consolidation and amendment of the text will be required.

Alternative A

[2. [Each of] the Parties included in [Annex I to the Convention/Annex [Q]] shall, [individually or jointly] [as set out in Annex [Y]]:

[(a) Return their anthropogenic emissions by [all] sources [and removals by sinks] of [CO_2/the greenhouse gases [from the source categories/sectors] listed in Annex [G]/all greenhouse gases not controlled by the Montreal Protocol] to [1990 levels/average levels over the period [1988] to [1992]] by 2000;]

(b) Reduce their [average] anthropogenic emissions by [all] sources [and removals by sinks] of [CO_2/the greenhouse gases [from the source categories/sectors] listed in Annex [G]/all greenhouse gases not controlled by the Montreal Protocol] below [1990 levels/average levels over the period [1988] to [1992]] by [at least] [5/7.5/10/15/20 percent] [an achievable and realistic percentage, including a 15 per cent reduction of CO_2] [by/over the period 20_ to [2005/2010]; [and]

[(c) Further reduce such anthropogenic emissions by [an average of] [15/ [to] 20] per cent below [1990 levels/average levels over the period [1988] to [1992]] [by/over the period 20_ to] [2010/2020].]

[3. In the longer-term, more sophisticated methods to allocate reduction targets shall be implemented, in accordance with paragraph _, eventually leading to convergence of emission levels based on appropriate indicators.]

Alternative B

[4. Annex [Q] Parties' emission limitation commitments shall be established for [_ emission budget periods of _ years each beginning in [20_]] [the emission budget periods [20_] to [20_], [20_] to [20_], *etc* (*as many as are agreed*).]

Level and timing of emission limitation commitments for Annex [Q] Parties

4.1 For the first budget period from [20_] to [20_] each Annex [Q] Party shall have a number of tonnes of [[carbon/CO_2] equivalent] allowed equal to [_] per cent of the [annual average] [net] anthropogenic emissions of all sources [and anthropogenic removals by sinks] [not including land use change and forestry] of the greenhouse gases [from the source categories/sectors] listed

in Annex [G] [in 1990] [in the period [1988] to [1992]] multiplied by (*number of years in the budget period*).

4.2 For the second budget period from [20_] to [20_], each Annex [Q] Party shall have a number of tonnes of [[carbon/CO_2] equivalent] allowed equal to [_] (*a percentage equal to or less than the percentage in the paragraph above*) of the [annual average] [net] anthropogenic emissions of all sources [and anthropogenic removals by sinks] [not including land use change and forestry] of the greenhouse gases [from the source categories/sectors] listed in Annex [G] [in 1990] [in the period [1988] to [1992]] multiplied by (*number of years in the budget period*).

4.3 *Possible subsequent budget periods as agreed and described in paragraph _.*

[***Level and timing of emission limitation commitments for Annex [Q1] Parties***

4.4 Annex [Q1] Parties' emission limitation commitments shall be established for [_ emission budget periods of _ years each beginning in [20_]] [the emission budget periods [20_] to [20_], [20_] to [20_], *etc* (*as many as are agreed*)].

4.5 For the first budget period from [20_] to [20_] each Annex [Q1] Party shall have a number of tonnes of [[carbon/CO_2] equivalent] allowed as agreed pursuant to paragraph _ (*procedure for establishing Annex [Q1] Party commitments*).

4.6 *Possible subsequent budget periods as agreed and described in paragraph _.*]

Meeting emission limitation commitments

4.7 Each Annex[Q] [and Annex [Q1]] Party shall [individually or jointly] ensure that its [net] anthropogenic emissions of greenhouse gases [from source categories/sectors listed] in Annex [G] [plus its anthropogenic emissions and removals from land use change and forestry] do not exceed its emissions budget for any applicable budget period, as specified in this Article.

Calculation of emissions budget

4.8 For each Annex[Q] [and Annex [Q1]] Party, [its/their] emissions budget in the respective budget period shall be denominated in tonnes of [[carbon/CO_2] equivalent] emissions allowed and shall equal:

(a) The tonnes of [[carbon/CO_2] equivalent] emissions it is allowed under paragraphs _ [and _] above (*allowed emissions from emission limitation commitments for Annex [Q] [and Annex [Q1] Parties]*); plus

[(b) Tonnes of [[carbon/CO_2] equivalent] emissions allowed that are carried over from a prior budget period under paragraph _ (*banking*); plus]

[(c) Up to [_ per cent] of the tonnes of [[carbon/CO_2] equivalent] emissions allowed such as may be borrowed from the subsequent budget period under paragraph _ (*borrowing*); plus]

[(d) Any tonnes of [[carbon/CO_2] equivalent] emissions allowed that are acquired from another Annex [Q] [or Annex [Q1]] Party from their emissions budget under emissions trading provisions permitted in Article_ (*emissions trading*); minus]

[(e) Any tonnes of [[carbon/CO_2] equivalent] emissions allowed that are transferred to another Annex [Q] [or Annex [Q1]] Party under emissions trading provisions permitted in Article_ (*emissions trading*); plus]

(f) Any tonnes of [[carbon/CO_2] equivalent] emissions allowed that are acquired from another Party under joint implementation provisions permitted in Article_ (*joint implementation*); [minus]

[(g) Any tonnes of [[carbon/CO_2] equivalent] emissions allowed that are transferred to another Party under joint implementation provisions permitted in Article_ (*joint implementation*); [minus]]

[(h) Any tonnes of [[carbon/CO_2] equivalent] emissions from anthropogenic land use change and forestry [sources listed in Annex [G1]] (*eg land clearance and forest harvest*), plus]

[(i) Any tonnes of [[carbon/CO_2] equivalent] removals from anthropogenic land use change and forestry [sources listed in Annex [G1]] (*eg land reversion and forest growth*).]

[***Procedure for establishing Annex [Q1] Party commitments***[1]

4.9 Any Party not listed in Annex [Q] to this Agreement may at any time on a voluntary basis request that it be listed in Annex [Q1] by submitting a request to the secretariat.

4.10 Each such request shall include the following information:

(a) An inventory of emissions for each year immediately preceding the budget period identical in extent to the number of years in the current budget period;

(b) A description of key policies and measures to be taken to limit or reduce emissions;

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[1] *See also paragraphs 165 to 173 in the section "Voluntary application of commitments by non-Annex I Parties" in the document FCCC/AGBM/1997/3/Add.1 for further proposals on this matter.*

(c) A projection of emissions over the budget period in the absence of national policies and measures to limit or reduce greenhouse gas emissions and a projection of emissions anticipated over the same period as the result of such policies and measures; and

(d) A proposed emissions budget for the budget period then applicable to Annex [Q] Parties, prorated based on the number of years remaining in the budget period if such budget period has already begun.

4.11 On receipt of a request under paragraph _, the secretariat shall immediately notify the Parties and provide a summary of the information contained in paragraph _.

4.12 Not later than 60 days after receipt of a request under paragraph _, the secretariat shall query each Annex [Q] Party and each Annex [Q1] Party to determine whether it can accede to the request.

4.13 In considering each request under paragraph _, Annex [Q] and Annex [Q1] Parties shall take into account the information provided under paragraph _ as well as such factors as projected population growth, projected gross domestic product (GDP) per capita growth and emissions intensity of GDP related to the Party submitting the proposal.

4.14 If the secretariat determines that a consensus of Annex [Q] and Annex [Q1] Parties exists, it shall notify the Party that submitted the request, and all other Parties, that the request has been approved and that such Party shall henceforth be listed in Annex [Q1].

4.15 If the secretariat determines that a consensus does not exist, it shall consult with each Annex [Q] Party and with each Annex [Q1] Party, as well as with the Party that submitted the request, with a view to determining whether there may be scope to amend the proposal under paragraph _ so as to achieve a consensus for approval of the request.]]

Alternative C

Basis of commitments

[5. In their actions to achieve the objective of the instrument and to implement its provisions, the Parties shall give effect, inter alia, to the following:

(a) The Parties affirm that to ensure equity between them and to maximize the environmental effectiveness of this instrument, commitments under Part _ (*commitments of specified Parties*) of this instrument are governed by the principle that mitigation action by Parties listed in Annex [Q] shall result in those Parties incurring equal percentage changes in per capita economic welfare;

(b) The Parties affirm that commitments under Part _ of this instrument reflect:

(i) The need for equitable and appropriate contributions for each of the Parties

undertaking commitments, their differences in starting points and approaches, their economic structures and resource bases, the need to maintain strong and sustainable economic growth, available technologies and other individual circumstances; and

(ii) The situation of those Annex [Q] Parties with economies that are highly dependent on income generated from the production, processing and export and/or consumption of fossil fuels and associated energy-intensive products and/or the use of fossil fuels for which such Parties have serious difficulties in switching to alternatives.

(c) The Parties affirm that the requirements of the principles set out in subparagraphs (a) and (b) above are best met through the use of indicators, including the following, recognising that the importance of each indicator varies in accordance with individual circumstances:

(i) Projected population growth;

(ii) GDP per capita growth;

(iii) Emission intensity of GDP;

(iv) Emission intensity of exports; and

(v) Fossil fuel intensity of exports.

Nature and level of commitments

5.1 Each of the Parties listed in Annex [Q] shall aim [, individually or jointly,] to achieve the QELRO listed for it in that Annex for the limitation and reduction of anthropogenic emissions by sources and sinks of all greenhouse gases not controlled by the Montreal Protocol. The range within which each Party's differentiated QELRO would fall will be between a 30 per cent reduction by 2010 from its 1990 level of such emissions and a 40 per cent increase by 2010 over its 1990 level of such emissions.

Negotiation of commitments

5.2 (a) By a specified date (one month before the date stipulated in subparagraph (b) below), Parties shall specify a collective Annex [Q] QELRO or an indicative range for a collective Annex [Q] QELRO to guide the submission of QELRO proposals by each of the Annex [Q] and prospective Annex [Q] Parties. This collective QELRO shall fully reflect the most recent information regarding the scientific understanding, technological developments, economic and other socio-economic factors relating to global climate change, in accordance with the requirements of Article _ (*principles*);

(b) Each Annex I Party and any other Party electing to be listed in Annex [Q] should submit a conditional initial QELRO proposal by a stipulated date in which it specifies the QELRO which it is willing to assume through applying the requirements of Article _ (*principles*) to its particular circumstances and any other relevant individual circumstances. Such proposals should contain sufficient information to enable other Parties to meet the requirements of subparagraph (d) below. Parties should explain in their proposals, utilizing internationally accepted data, the factors affecting their anthropogenic emissions by sources and sinks of all greenhouse gases not controlled by the Montreal Protocol, the requirements of Article _ (*principles*) with reference to the indicators elaborated in Article _ (*differentiated QELROs*) and any other relevant individual circumstances, and should explain in specific detail how the application of these indicators individually or in combination has guided that Party in the determination of its particular QELRO. In the case of proposals involving regional economic integration organizations, such organizations or their members should indicate which provisions of Article _ (*regional economic integration organizations*) they will be seeking to avail themselves of in implementing their QELRO commitments;

(c) All QELRO proposals shall be circulated to all Parties in the negotiations in order to provide transparency;

(d) Negotiations will take place among Parties which have submitted initial QELRO proposals. These negotiations will take place in the two month period following the date stipulated in subparagraph (b) above and shall be conducted on the basis of the submitted proposals and other relevant information. Such Parties should assess the QELROs proposed to satisfy themselves that they:

(i) Reflect a reasonable application of the indicators in Article _ (*criteria for differentiation*); and

(ii) Meet the requirement of comparable levels of effort by each of the Annex [Q] and prospective Annex [Q] Parties in contributing further to achieving the objective of the Convention, in accordance with Article _ (*principles*).

(e) In order to facilitate the negotiations under subparagraph (d) above, any Annex [Q] or prospective Annex [Q] Party may request specific information from any other Party who has submitted a QELRO proposal, including estimation of the effects of existing policies and measures and proposed new measures on emission projections. Parties shall respond to such requests in an expeditious manner;

(f) The initial QELRO proposals will be the subject of a review and assessment process by all Parties, taking place in the two month period following the date stipulated in subparagraph (b) above, to determine:

(i) Whether there should be any adjustment to the specified collective Annex [Q] QELRO under subparagraph (a) above; and

(ii) Whether Parties should be invited to submit revised QELRO proposals to ensure equitable and appropriate contributions in meeting the collective QELRO, or to further enhance the collective QELRO. Any such revised QELRO proposals would be the subject of further negotiations in accordance with subparagraph (d) above and should conclude within the three month period following the date stipulated in subparagraph (b) above.

(g) After negotiations on QELRO proposals are concluded, each Annex [Q] and prospective Annex [Q] Party shall communicate its resultant negotiated QELRO to the secretariat for inscription into Annex [Q]. The resultant collective Annex [Q] QELRO should be inscribed in Article _ (*objective*).]

5.3 The commitments of Parties as listed in [Annex [Q]] shall, consistent with the principles set out in Article 3 of the Convention, reflect fully the situation of each Party or specified group of Parties in respect of the indicators in paragraph _ above.]

Alternative D

[6. The Parties listed in Annex I to the Convention shall [, individually or jointly,] co-operate to ensure that their total aggregate [annual average] [net] emissions of greenhouse gases for the first period from [20_ to 20_] is [_] per cent lower than their total aggregate emissions of greenhouse gases for [19_] [the period from 19_ to 19_].

6.1 The Parties listed in Annex I to the Convention shall further co-operate to ensure that their total aggregate [annual average] [net] emissions of greenhouse gases for the second period from [20_ to 20_] is [_] per cent lower than their total aggregate emissions of greenhouse gases for [19_] [the period from 19_ to 19_].

6.2 *Further periods, as agreed.*

6.3 The quantified emission limitation and reduction objective for each of the Parties listed in Annex I to the Convention shall be based on the following indicators calculated for each Party [to be applied on their projected [net] emissions of greenhouse gases,] and adjusted in accordance with other national circumstances:

(a) An indicator reflecting emission intensity, defined as CO_2 [equivalent] emissions per unit of GDP;

(b) An indicator reflecting level of [CO_2/greenhouse gas] emissions, defined as the share of CO_2 [equivalent] emissions per capita;

(c) An indicator reflecting the level of economic development, defined as GDP per capita;

(d) An indicator reflecting the share of renewable energy in energy supply; and

(e) _.

6.4 The QELRO for each developed country Party listed in Annex I to the Convention on the basis of the provisions of this Article are set out in Annex [A] to this Protocol. [Such QELROs may be achieved individually or jointly.]]

Alternative E

[7. Each Party included in Annex I to the Convention shall select one of the following two quantified limitation and reduction objectives for its anthropogenic CO_2 emission by sources [to be achieved individually or jointly] within the specified time-frames set out below:

(a) To maintain its anthropogenic emissions of CO_2 over the period from [2000 +x] to [2000+x+[5]] at an average yearly level not more than [*p*] tonnes of carbon per capita; or

(b) To reduce its anthropogenic emissions of CO_2 over the period from [2000+x] to [2000+x+[5]] at an average yearly level of not less than [*q*] per cent below the level of the year 1990.

7.1 (*Calculation of emissions budgets.*)

7.2 The Meeting of the Parties entrusts a study on anthropogenic emissions by sources of greenhouse gases, other than CO_2, not controlled by the Montreal Protocol, and removals by sinks of all greenhouse gases, not controlled by the Montreal Protocol, to the Subsidiary Body for Scientific and Technological Advice provided for in Article 9 of the Convention. Until such time as appropriate measures are decided upon by the Meeting of the Parties on the basis of the study, each Party included in Annex I to the Convention shall make as much effort as possible not to increase its anthropogenic emissions by sources of greenhouse gases, other than CO_2, not controlled by the Montreal Protocol, and to promote sustainable management, conservation and enhancement of sinks and reservoirs of all greenhouse gases not controlled by the Montreal Protocol.]

Alternative F

[8. The developed country Parties and other Parties included in Annex [Q] of the Protocol commit themselves to maintain, individually or jointly, their average annual levels of [net] anthropogenic emissions of [CO_2/greenhouse gases] in the period from 2000 to 2010 at 1990 levels, or at the level of any other year taken by these Parties as a base year.

8.1 Quantitative objectives to limit and reduce net anthropogenic emissions of greenhouse gases by Annex [Q] Parties to the Protocol after 2010 shall also be regulated. Quantitative objectives for the first period following the period from 2000 to 2010 should be adopted no later

than 2007.

8.2 The developed country Parties and other developed Parties included in Annex [Q2] to the Protocol, aiming to enhance their commitments and taking into account their real possibilities, shall also adopt the following additional differentiated obligations to reduce their net anthropogenic emissions of [CO_2/greenhouse gases] below 1990 levels: (*to be developed on the basis of proposals by Annex II Parties in terms of percentage of net anthropogenic emissions of greenhouse gases from 1990 levels or from the level of another year to be taken as a benchmark*).]

Alternative G

[9. Countries shall be grouped in categories differentiated by increments of 5 tons of annual CO_2 equivalent emissions per capita. The first category shall contain countries with emissions between 3 and 5 tons, the second category countries between 5 and 10 tons, and so on. Countries in the same category shall receive the same QELROs, starting, for the first category, with an emission cap (stabilization at 1990 levels beyond 2000). [Such QELROs may be achieved individually or jointly.]]

Alternative H

[10. Annex [Q] Parties, individually or jointly, shall reduce their emission levels for CO_2, methane (CH_4) and nitrous oxide (N_2O) together (weighted total, using GWP with a 100 year time horizon) so that this total, in 2005, does not exceed its level for reference year 1990 or the period determined in accordance with Article 4.6 of the Convention.

10.1 Each Annex [Q] Party shall, [in its instrument of ratification, acceptance, approval or accession,] notify the percentage of intended emission reduction level in accordance with the paragraph above.

10.2 Furthermore, Annex [Q] Parties shall take effective measures to control and/or, [where appropriate,] to reduce their emission levels for CO_2, CH_4 and N_2O together (weighted total, using GWP with a 100 year time horizon) beyond 2005, taking into account the emission level for reference year 1990 or the period determined in accordance with Article 4.6 of the Convention.]

Alternative I

[11. For the purposes of this Protocol, the following greenhouse gases not controlled by the Montreal Protocol shall be considered: CO_2, CH_4 and N_2O.

11.1 Effective emissions references are established for the totality of Annex I Parties and for each Annex I Party, equal to the respective effective emissions corresponding to a constant level of [net] anthropogenic emissions of each greenhouse gas in the period 1990 to 2020, equal to the

level of [net] anthropogenic emissions in 1990, and taking the initial concentrations in 1990 to be equal to zero.

11.2 An effective emissions ceiling is established for the totality of Annex I Parties equal to the effective emissions corresponding to a constant level of [net] anthropogenic emissions in the period 1990 to 2000, equal to the level of [net] anthropogenic emissions in 1990, and decreasing regularly from 2000 to 2020 to a value, in 2020, that is 30 per cent lower than the 1990 value, and taking the initial concentrations in 1990 to be equal to zero.

11.3 Effective emissions reduction targets are established for each of the periods 2001-2005, 2006-2010, 2011-2015 and 2016-2020, for the totality of Annex I Parties, equal to the difference between the effective emissions reference and the effective emissions ceiling, both computed as provided for in the paragraphs above, for each of the above periods, and taking the initial concentrations in each period to be equal to zero.

11.4 A relative responsibility of each Annex I Party with respect to the totality of Annex I Parties is established, for each of the periods 1990-2000, 2001-2005, 2006-2010, and 2011-2015, equal to the relative fraction of the effective emissions which is attributable to that Party, with respect to the ensemble of Annex I Parties, by considering, for each of the above periods, constant [net] anthropogenic emissions equal to its value in the initial year of the period, and the respective concentrations in the initial year of the period. The Parties may wish to adjust the individual relative responsibilities to take into account special considerations provided for in the United Nations Framework Convention on Climate Change (UNFCCC).

11.5 An individual effective emissions reduction target is established for each of the periods 2001-2005, 2006-2010, 2011-2015 and 2016-2020, for each Annex I Party, equal to the share of the effective emissions reduction target for the totality of Annex I Parties, that represents a fraction of the total equal to their relative responsibility for the periods 1990-2000, 2001-2005, 2006-2010, and 2011-2015, respectively. Such targets may be achieved individually or jointly among Annex I Parties.

11.6 An individual effective emissions ceiling is established for each of the periods 2001-2005, 2006-2010, 2011-2015 and 2016-2020, for each Annex I Party, equal to the difference between the corresponding effective emissions reference and individual effective emissions reduction target.

[11.7 Such QELROs may be achieved individually or jointly.]]

C. Over-achievement/Banking

Alternative A
(Banking between budget periods)

Alternative A1

[12. At the end of a budget period applicable to a Party, any amount by which the Party's emissions of tonnes of [[CO_2/carbon] equivalent] is under its emissions budget for that period may be carried over and added to its emissions budget for the next budget period.

[12.1 Emission levels achieved before the start of the first budget period after 2000 cannot be banked.]]

Alternative A2

[13. In order to provide each Annex [Q] and Annex [Q2] Party with necessary flexibility in the implementation of its commitments fixed in Article _ (*QELROs*) of this Protocol, each Annex [Q] and Annex [Q2] Party has the right to use quotas of its [net] anthropogenic emissions of greenhouse gases in the framework of the concrete period for which quantitative objectives are determined and valid. If an Annex [Q] or Annex [Q2] Party achieves real reductions in net anthropogenic emissions of greenhouse gases which are greater than that determined by its commitments, this difference (in terms of the sum of annual reductions of tonnes of carbon equivalent) is registered as a contribution to the fulfilment of that Party's commitments for the next period.

13.1 In order to provide each Annex [Q] and Annex [Q2] Party with necessary flexibility, if the real reduction in [net] anthropogenic emissions of greenhouse gases achieved by any such Party in previous years was greater than its appropriate level of commitments, this difference (determined in terms of the sum of annual reductions of tonnes of carbon equivalent) will be accounted for this Party for the next period in its quota of net anthropogenic emissions of greenhouse gases.]

Alternative B
(Banking of over-achievement prior to 2000)

[14. Those Parties which, in accordance with Article 4.2(a) of the Convention, modified their longer-term trends in anthropogenic emissions of CO_2 and other greenhouse gases not controlled by the Montreal Protocol to achieve the objective of the Convention, and reduced their anthropogenic emissions below the reference year of 1990, will use their aggregated reductions achieved in the period from 1990 to 2000 to fulfil the reduction objectives of the Protocol in the period from 2001 to 2015.]

D. Under-achievement/Borrowing

Alternative A
(Higher QELRO as penalty)

Alternative A1

[15. Parties included in Annex I to the Convention that fail to [return to/stabilize] their 1990 levels of anthropogenic emissions by 2000 [will be required to exert additional efforts to/shall] reduce their anthropogenic emissions by [an additional] [_/5/15] per cent of their 1990 levels by 2005 and by [an additional] [_/5/20] per cent by 2010.]

Alternative A2

[16. At the end of a budget period applicable to a Party, [up to [_] tonnes/any amount of tonnes] of [CO_2/carbon [equivalent]] emissions allowed that is borrowed from the subsequent budget period shall be subtracted at a rate of [1.2:1] from the subsequent budget period.[2]

16.1 At the end of a budget period applicable to a Party, any amount of tonnes of carbon equivalent emissions over its emissions budget shall be subtracted at a rate of [rate greater than that in the paragraph above] from the subsequent budget period.]

Alternative B
(Financial contribution as penalty)

[17. There shall be a periodic evaluation, for the periods 2001-2005, 2006-2010, 2011-2015 and 2016-2020, of the compliance by each Annex I Party with the commitments to maintain its effective emissions below the respective effective emissions ceiling, including the calculation of the difference between the effective emissions based on reported net anthropogenic emissions, and the corresponding effective emissions ceiling.

17.1 A contribution shall be made to the financial mechanism of the Convention by each Annex I Party found to be in non-compliance in accordance with the paragraph above, on the basis of 3.33 US$ (three US dollars and thirty-three cents) for each effective emissions unit above the effective emissions ceiling calculated as per the paragraph above, expressed in tonnes of carbon per year (tCy) equivalent.

17.2 The financial mechanism of the UNFCCC shall establish a non-Annex I clean development fund to receive the contributions made in accordance with the paragraph above.

17.3 The financial resources of the non-Annex I clean development fund shall be made available to non-Annex I Parties for use in climate change mitigation and adaptation projects

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[2] *This paragraph should be read together with paragraph 4.8 (c).*

according to guidelines to be established by the fourth Conference of the Parties to the UNFCCC.

17.4 The financial resources of the non-Annex I clean development fund allotted to climate change adaptation projects shall not exceed ten percent of the total amount of this fund in any year.

17.5 The financial resources of the non-Annex I clean development fund allotted to climate change projects in each of the periods 2001-2005, 2006-2010, 2011-2015 and 2016-2020 shall be made available to non-Annex I Parties that wish to implement such projects, in the same proportion as their fraction of the overall non-Annex I Parties effective emissions, determined for the periods 1990-2000, 2001-2005, 2006-2010, and 2011-2015, respectively, by considering , in each period, a constant level of [net] anthropogenic emissions, equal to the arithmetic mean of the reported [net] anthropogenic emissions, and initial concentrations, for the period 1990-2000 equal to zero, and for the periods 2001-2005, 2006-2010, and 2011-2015, equal to that resulting from the [net] anthropogenic emissions considered in the previous periods.]

E. Parties with economies in transition

Alternative A

[18. There shall be no differentiation with respect to base year, target year or level for the QELROs/commitments of any Annex I Party.]

Alternative B

[19. The base year for Annex I Parties should be set in accordance with Article 4.2(b) of the Convention, or another year or period agreed by the Conference of the Parties at its second session in accordance with Article 4.6 of the Convention.

[19.1 Such flexibility should take into account their real contribution in reducing greenhouse gas emissions into the atmosphere, which has taken place since 1990 due to economic reasons. In accordance with the principle of allowing a certain degree of flexibility regarding commitments for the Parties included in Annex I to the Convention undergoing the process of transition to a market economy, taking into account their real reduction in [net] anthropogenic emissions of greenhouse gases during the period from 1990 to 2000 and the need to enhance the ability of these Parties to solve climate change problems, such a Party has the right to maintain, after 2010, its average annual levels of [net] anthropogenic emissions of greenhouse gases at 1990 levels (or at the level of another year taken by such a Party as a benchmark) until that Party achieves the average GDP per capita of Annex [Q2] Parties.]]

F. Regional economic integration organizations

[20. Regional economic integration organizations:

(a) States which are members of a regional economic integration organization may co-operate in the implementation of their commitments under this instrument. Such organizations may assist their members in implementing their commitments by taking appropriate action within their field of competence. Such action may include the adoption of policies and the taking of measures on an organization-wide basis;

Organization a Party and no member States are Parties

(b) Any regional economic integration organization may become a Party to this instrument without any of its member States becoming a Party only if it certifies in its instrument of ratification, acceptance, approval or accession that under its internal constitutional arrangements the organization itself has sufficient competence to ensure full compliance with all obligations of that organization under the instrument, including those in respect of achievement of its QELRO and implementation of policies and measures. In such cases, the regional economic integration organization shall be bound by all the obligations under the instrument on behalf of all of its members. A single QELRO shall be inscribed for the organization in Annex [Q]. To ensure a level of transparency equivalent to that required of other countries to which this instrument applies, the individual QELRO applicable to each member State under any internal arrangement shall also be listed immediately below the inscription for the organization;

Both organization and one or more member States are Parties

(c) In the case of such organizations, one or more of whose members is also a Party to the instrument, the following provisions shall apply:

(i) In respect of QELRO commitments under this instrument, if a regional economic integration organization certifies in its instrument of ratification, acceptance, approval or accession that under its internal constitutional arrangements the organization itself has sufficient competence to ensure full compliance with the QELRO commitment listed for it in Annex [A], the organization may elect to be solely responsible for meeting that commitment. In such circumstances, a single QELRO shall be inscribed for the organization in Annex [A]. To ensure a level of transparency equivalent to that required of other Parties, the individual QELRO applicable to each member State under any internal arrangement shall also be inscribed in Annex [A], but such member States shall not individually be responsible under this instrument for performance of such QELROs;

(ii) In the absence of the certification of competence required in subparagraph (i) above, the QELROs applicable to each member State

shall be inscribed in Annex [A]. Each member State shall individually be responsible for performance of that QELRO to the same extent that other Parties listed in that Annex are for the QELROs listed for them;

(iii) The Party or Parties responsible under subparagraphs (i) and (ii) above for performance of QELRO commitments shall also be responsible for obligations under this instrument to report on performance of those commitments; and

(iv) In respect of commitments under this instrument other than QELRO commitments and the reporting obligations referred to in subparagraph (iii) above, an organization and its member States shall decide on their respective responsibilities for the performance of such obligations and shall notify the Depositary of that apportionment of responsibility in their respective instruments of ratification, acceptance, approval or accession. In such cases, the organization shall be bound to perform that part of the obligations it notifies that it will undertake and the member States shall each be bound to perform all other obligations. In the absence of such notification, the member States shall individually be responsible for performance of all such obligations.

(d) Without limiting the scope of any of the foregoing provisions, the ratification, acceptance, approval or accession of regional economic integration organization shall not be effective unless and until the following two conditions are met:

(i) The organization has declared in detail in its instrument of ratification, acceptance, approval or accession the precise nature and extent of its competence with respect to matters governed by the instrument, with reference to particular treaty provisions, laws, measures, procedures, decisions, administrative actions, directives, regulations, recommendations, opinions or any other materials; and

(ii) The Meeting of the Parties has determined that a declaration so made satisfies the requirements of this Article.

At its first session, after the lodgment of such an instrument of ratification, acceptance, approval or accession, the Meeting of the Parties shall review it for that purpose and may request further information and/or make appropriate recommendations to such organizations. These organizations shall also inform the Depositary, who shall, in turn, inform the Parties, of any substantial modification in the extent of their competence.

Alteration in composition of regional economic integration organizations

(e) Except as provided in subparagraph (f) (ii) and (iv) below, the rights and obligations of a regional economic integration organization under the instrument shall apply only in respect of its membership as of the date of the adoption of this instrument;

(f) In the event of any alteration to the composition of a regional economic integration organization by way of enlargement, withdrawal, union of States or partition of States the following provisions shall apply:

(i) The organization shall notify the secretariat and the Depositary of the alteration in the composition of the organization;

(ii) At the next scheduled review of commitments of Parties under Article _ (*review of commitments*) the Meeting of the Parties may decide whether and on what terms the alteration in composition of the organization shall, by way of exception to subparagraph (e) above, be recognized for the purposes of this instrument. If a country undergoing the process of transition to a market economy joins such an organization and the Meeting of the Parties decides that it should be regarded as a member of the organization for the purposes of this instrument, any provisions of this instrument applying specifically to countries undergoing the process of transition to a market economy shall no longer apply to that country, as of the date of the decision of the Meeting of the Parties;

(iii) At the review of commitments referred to in subparagraph (ii) above, the Parties shall, to ensure that commitments of all Annex [Q] Parties continue to be shared as equitably as possible, take into account, in addition to the factors listed in Article _ (*review of commitments*), the implications of the alteration in composition of the organization for the level and distribution of commitments of all Annex [Q] parties; and

(iv) If a member State of a regional economic integration organization which is a Party to the instrument withdraws from that organization it shall be treated as no longer being a member of the organization for the purposes of this instrument as of the date of notification of withdrawal under subparagraph (i) above unless otherwise decided by the Meeting of the Parties as part of the review referred to in subparagraphs (ii) and (iii) above. In the event that a withdrawing member State does not have a separate QELRO listed for it in Annex [Q], that Party shall negotiate with other Parties in accordance with procedures established for the setting of commitments to agree upon an equitable and appropriate QELRO for that Party.]

G. Flexibility

1. Emissions trading

Alternative A

[21. Commitments shall be fulfilled individually and not through coordinated actions, including trade in emission permits.]

Alternative B

[22. Trading in emissions permits between Annex [Q] Parties shall take place only after a satisfactory equitable initial allocation of QELROs/emissions budgets has been agreed.]

Alternative C

[[23. Except as otherwise provided for [in paragraphs _ below (*restrictions*)] [in _]] [and in accordance with the terms and conditions to be decided by the Parties which shall ensure openness, transparency, accountability and cost effectiveness] any Annex [Q] [or Annex [Q1]] Party may transfer to, or acquire from, any Annex [Q] [or Annex [Q1]] Party any of its tonnes of [[carbon/CO_2] equivalent] emissions allowed for a budget period, for the purpose of meeting its [emissions limitation and reduction commitments/obligations under Article _ (*emissions budgets*)]. Such transfers of allowed emissions shall be reported by each Party involved in the trade and shall be equal, and added for one Party and subtracted for the other.]

[23.1 The [Conference/Meeting] of the Parties shall elaborate rules and criteria to ensure inter alia that:

(a) Trading can only take place between Annex [Q]/[Q1] Parties;

(b) It is clear whether trading is to be based on emission credits or on trading of emission budgets;

(c) Emission levels achieved before the start of any trading system established under the Protocol cannot be the basis for trading;

(d) Trading is supplemental to domestic action and common and coordinated policies and measures to mitigate climate change, which should provide the main means of meeting/achieving QELROs;

(e) Trading can only take place after reliable measurement, reporting, monitoring and compliance [institutions] procedures have been established [nationally and internationally]; and

(f) There is consistency between domestic and international trading regimes in order to minimize distortions in international competition.]

[23.2 A Party may authorise any domestic entity (eg government agencies, private firms, non-governmental organisations, individuals) to participate in actions leading to the transfer or acquisition under paragraph _ of tonnes of [[carbon/CO_2] equivalent] emissions allowed, subject to legal recognition and acceptance of the trade by the Parties involved in the trade.

23.3 The Conference of the Parties, at a meeting, [shall/may] further elaborate guidelines to facilitate the reporting of emissions trading information.]

Restrictions

[23.4 An Annex [Q] [or Annex [Q1]] Party may not transfer or acquire any of its tonnes of [[carbon/CO_2] equivalent] emissions allowed if it is not in compliance with its obligations under Article _ (*measurement and reporting*) or if it does not have in place an adequate national mechanism for certification and verification of trades.]

[23.5 An Annex [Q] [or Annex [Q1]] Party may not transfer in a given budget period any of its tonnes of [[carbon/CO_2] equivalent] emissions allowed if it has exceeded its emissions budget for that period.]

[23.6 If a question of a Party's implementation of the requirements referred to in paragraphs _ above is identified by either the review process under Article _ (*review and compliance*) or by the secretariat under Article _ (*functions of secretariat*):

(a) Transfers and acquisitions of tonnes allowed (in the case of paragraph _) and transfers of tonnes allowed (in the case of paragraph _) may [not] continue to be made after the question has been identified, [provided that any] such tonnes may not be used by any Party to meet its obligations under Article _ (*emissions budgets*) until any issue of compliance is resolved. Issues of compliance shall be resolved as expeditiously as possible.]]

2. Joint implementation

Alternative A

[24. Commitments shall be fulfilled individually and not through coordinated actions, including joint implementation.]

Alternative B

[25. [Each Annex [Q] or Annex [Q1] Party may fulfill part of their QELROs obligations under Article _ to limit or reduce anthropogenic emissions by [all] sources [and enhance anthropogenic removal by sinks] of [the greenhouse gases [from the source categories/sectors] listed in

Annex [G]] through joint implementation of mitigation measures.]

Participation

Option 1

[25.1 In order to fulfill their QELROs commitments under the Protocol, Parties listed in Annexes [Q] [or [Q1]] may jointly with other Annex [Q] [or [Q1]] Parties undertake concrete projects aimed at reducing and limiting anthropogenic emissions of greenhouse gases included in QELROs [in any sector of the economy [and enhancing sinks] and in conformance with the rules in paragraphs _ and _].

25.2 If a positive decision is taken by the Conference of the Parties at the conclusion of the pilot phase of activities implemented jointly in accordance with decision 5/CP1 to allow joint implementation with non-Annex [Q] [or [Q1]] Parties, then Parties listed in Annexes [Q] [or [Q1]] may jointly with non-Annex [Q] [or [Q1]] Parties undertake concrete projects aimed at reducing and limiting [anthropogenic emissions of greenhouse gases included in QELROs in any sector of the economy [and enhancing sinks] and in conformity with paragraph _.]

Option 2

[25.3 [Any/A] Party that is neither in Annex [Q] [nor [Q1]] may, on a voluntary basis, [undertake [joint implementation] projects in its territory] [generate tonnes of carbon equivalent emissions allowed] that meet the criteria and guidelines provided in this Article. Limitations or reductions of anthropogenic emissions of greenhouse gases [or conservation and enhancement of sinks and reservoirs,] that result from such projects in accordance with these provisions belong to the host Party, which may hold such "tonnes mitigated" [generated in each joint implementation project] or transfer any portion of such tonnes mitigated to other Parties [when a value is duly ascribed to the mitigation by means of an additional financial contribution to the projects that generated it] [according to arrangements agreed by the Parties to each transfer] and insofar as the national policy of each host country so provides.

25.4 When an Annex [Q] [or [Q1]] Party acquires tonnes of carbon equivalent emission mitigated from a [joint implementation] project [in the territory of another Party] in conformance with this Article these tonnes mitigated may be converted into tonnes allowed to a Party in its [domestic] greenhouse gas [budget/QELRO] to meet [a percentage to be decided by the Parties of] [25 percent of] its obligations under Article _ [and up to 100 per cent (one hundred per cent) of their national emission reductions outside their territory] [by means of joint implementation projects] [through carrying out joint implementation projects], provided that the Annex [Q] [or [Q1]] Party is in compliance with its obligations under Article _ (*measurement and reporting*). [When investing in projects, the Annex [Q] [or [Q1]] Party or Parties may receive credit for [half of][a percentage, to be decided by the Parties, of] the entire tonnes mitigated, with the remaining mitigation of greenhouse gases accruing to humanity as a global good.] [The Parties shall review and, as appropriate, revise these limits periodically, taking into account both the environmental

effectiveness and economic efficiency of this instrument.]]

Rules and guidelines for joint implementation among Annex [Q] or [Q1] Parties

[25.5 In order to be credited for projects as defined in paragraph _, the following set of rules shall be applied:

(a) Joint implementation projects shall bring about real, measurable and long-term environmental benefits related to the mitigation of climate change, while avoiding adverse environmental and social effects. Projects must provide a reduction in emissions [or enhancement of sinks] that is additional to any that would otherwise occur;

(b) Joint implementation projects can be undertaken by two or more Parties. Parties may authorise any domestic entity, including government agencies, private firms, non-governmental organisations and individuals to participate in joint implementation projects;

(c) All such projects require prior acceptance, approval or endorsement by the Parties participating in the projects;

(d) Joint implementation projects should be supplemental to domestic policies and measures, which should provide the main means of meeting QELROs. Annex [Q] or [Q1] Parties may fulfil only part of their obligation to realize their QELROs through joint implementation; and

(e) Joint implementation projects shall be assessed on a project basis. Credits shall be calculated and allocated on an annual basis. They shall be subject to stringent emission reduction verification and accountability methodologies. Parties participating in joint implementation projects, in accordance with their contribution to the project, have the right to share among themselves the credits achieved by the projects.

25.6 Annex [Q] or [Q1] Parties shall report on joint implementation projects in their national communications using guidelines to be adopted by the [Conference/Meeting] of the Parties at its first session, building on the uniform reporting format for activities implemented jointly under the pilot phase. Such guidelines should also deal with:

(a) Methodologies for calculating project baselines and actual emissions which are needed to assess the incremental impact of a project on greenhouse gas emissions [and sink capacity]; and

(b) Data and methods for the quantification and verification of credits and audit.

25.7 The [Conference/Meeting] of the Parties at its first session shall adopt a process for reviewing the total reduction achieved by reported joint implementation projects.

[25.8 The [Conference/Meeting] of the Parties to the Protocol shall review these criteria, rules and methodologies for joint implementation at its first session, and periodically thereafter, taking into account experience and know-how gained in the framework of the pilot phase of activities implemented jointly and in carrying out this Article.]]

Rules and guidelines for joint implementation [among] [between] Annex [Q] or [Q1] and non-Annex [Q] or [Q1] Parties

Option 1

[25.9 If a positive decision is taken by the Conference of the Parties at the conclusion of the pilot phase of activities implemented jointly in accordance with decision 5/CP.1 to allow joint implementation with non-Annex [Q] or [Q1] Parties, such joint implementation shall be in accordance with the rules and guidelines in paragraphs _ and _ above, modified as necessary by the Conference of the Parties, taking into account the decision on the outcome of the pilot phase.]

Option 2

[25.10 In addition to any rules adopted by the Parties to this Protocol, the following rules shall apply to projects under this Article:

(a) Participation shall be voluntary;

(b) Parties may implement projects under this Article [unilaterally, or] bilaterally or multilaterally [with other interested Parties];

(c) Projects under this Article shall bring about real, measurable and long-term environmental benefits related to the mitigation of climate change, while avoiding adverse environmental and social effects; projects must provide a reduction or limitation in emissions [or enhancement of sinks and reservoirs], that is additional to any that would otherwise occur;

[(d) A Party may authorize any domestic entity, including government agencies, private firms, non-governmental organizations, individuals, to participate in actions leading to generation, transfer or receipt under the Article of [tonnes allowed or mitigated] [on a project-by-project basis];]

(e) All such projects require acceptance, approval or endorsement by the Parties participating in the projects prior to transfer or receipt of tonnes [allowed] mitigated; Projects must be compatible with and supportive of national environment and development priorities and strategies, as well as contribute to cost-effectiveness in achieving global benefits;

(f) Implementation shall proceed, and shall be accounted for [annually], on a project-by-project basis; and

[(g) For each specific project, a baseline shall be established setting the net environmental benefits of greenhouse gas emission mitigation and reduction, as compared with a baseline without the project, [so as to justify the additional [financial] contribution from the Annex [Q] or [Q1] Party or Parties.]]

25.11 Any Party that generates [or acquires] [tonnes of carbon equivalent emissions mitigated] [by means of joint implementation projects] [or allowed] under this Article shall notify the secretariat annually of the quantity, Party of origin and Party of destination of such tonnes according to the guidelines agreed by the Parties and building on the reporting guidelines for activities implemented jointly in its pilot phase under the Convention. Such reporting guidelines shall be reviewed by the Parties to the Protocol at its first meeting.

[25.12 Provided that such transfers are validated by host country acceptance, approval and endorsement, and reported, measured, and assessed in accordance with provisions established by the Parties to the [Convention], to be reviewed at the first meeting of the Parties to this [Protocol], such transfers are eligible for accounting under the commitments defined in Article _ (*QELROs*) for such Parties that are in compliance with their obligations.]

25.13 [The Subsidiary Body for Scientific and Technological Advice shall develop [stringent] guidelines and] the [Conference/Meeting] of the Parties [at its first session] shall adopt [and review periodically thereafter]:

(a) Data and methodologies for calculating project baselines and actual emissions which are needed to assess the incremental impacts of a project to reduce or limit emissions [and to conserve or enhance sinks or reservoirs] of greenhouse gases;

(b) Monitoring to verify the reduction or mitigation reported in accordance with the reporting format agreed by the Parties; and

(c) A procedure for reviewing the conformity of projects with these guidelines.]

[25.14 If a question of a Party's implementation of the requirements referred to in paragraphs [_] above is identified by either the review process under Article _ (*review and compliance*) or by the secretariat under Article _ (*functions of secretariat*):

(a) Transfers and acquisitions of tonnes [allowed/mitigated] (in the case of paragraph _) and transfers of tonnes mitigated (in the case of paragraph _) may continue to be made after the question has been identified, provided that any such tonnes may not be used by any Party to meet its obligations under Article _ (*emissions budgets*) until any issue of compliance is resolved. Issues of compliance shall be resolved as expeditiously as possible.]

[25.15 The [Conference/Meeting] of the Parties to the Protocol shall review these criteria, rules and methodologies for joint implementation at its first session, and periodically thereafter, taking into account experience and know-how gained in the framework of the pilot phase of activities

implemented jointly and in carrying out this Article.]]

3. Co-operative efforts by interested Parties

[26. Any Party listed in Annex I to the Convention that is in compliance with its obligations under Article _ (*QELROs for developed country Parties listed in Annex I to the Convention*), and has in place a national mechanism for certification, verification and accounting of transfer between Parties listed in Annex I to the Convention of greenhouse gas emission reductions or sink enhancements achieved through specific investments, may transfer to, or receive from, any Party listed in Annex I to the Convention any of the carbon equivalent emissions reductions or sink enhancements resulting from such investments for the purpose of meeting its obligations under Article _ (*QELROs for developed country Parties listed in Annex I to the Convention*).

26.1 Any Party not listed in Annex I to the Convention may, on a voluntary basis, carry out projects that are additional to what would otherwise occur that limit greenhouse gas emissions or remove greenhouse gases by sinks and reservoirs, in accordance with their national environment and development priorities and strategies. These Parties may decide to define a monetary value for the climate benefits achieved through such projects, and may further decide to transfer any portion thereof to any Party on mutually beneficial and agreed terms. Provided that such transfers are validated by host country acceptance, approval or endorsement, and reported, measured, and assessed in accordance with provisions established by the Parties to the Convention, to be reviewed at the first Meeting of the Parties, such transfers are eligible for accounting under the commitments defined in Article _. (*QELROs for developed country Parties listed in Annex I to the Convention*) for such Parties which are in compliance with their obligations.[3]]

H. Possible impacts [on developing countries] of new commitments in the new instrument/socio-economic injuries sustained [by developing countries]

[27. [Each Party included in Annex I/All Parties] to the Convention shall take fully into account the provisions contained in Article 4.8 in the implementation of policies and measures to achieve these Parties' QELROs.

27.1 The commitments in Article 4.2(a) and (b) of the Convention for developed country Parties/other Parties included in Annex I should be strengthened by establishment of a [concrete compensation] mechanism for [assessing] damages arising from implementation of response measures [on developing countries] referred to in Article [4.8/4.10], in order to provide them with the necessary safeguards.]

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[3] *The above text is to be included in its present form if COP 3 takes a conclusive decision on the pilot phase of activities implemented jointly and progression beyond that. If no conclusive decision is taken at COP 3, the present text should be amended.*

Alternative A
(for paragraph 27.2)

[27.2 An appropriate compensation mechanism will be developed later.]

Alternative B
(for paragraph 27.2)

[27.2 The concrete compensation mechanism referred to in paragraph _ applies to damages directly or indirectly arising from the performance or attempted performance by Annex I Parties of their commitment in this Protocol concerning QELROs or policies and measures that result in loss of income from exports by developing country Parties or the increased costs of imports by developing country Parties.]

[27.3 A [compensation] mechanism shall be established to [compensate/assess] social and economic losses arising from implementation of the present instrument sustained by [Annex III/all] Parties. The functions of this [compensation] mechanism are as follows:

(a) Analyses and assessments of socio-economic impacts of any proposed response measures on [developing/all] countries, particularly oil exporting developing countries;

[(b) Provision of material, equipment and technologies, on concessional terms, to Annex III countries;]

[(c) Establishment of a compensation fund; and]

(d) Contributions made to this fund by [Annex I Parties/all Parties in accordance with Article 4.10] shall be replenished biannually. These contributions, [being compulsory upon Annex I Parties,] shall be paid directly to the affected claimant [developing country] Party/Parties.

27.4 Other details of this mechanism should be decided by the [Conference/Meeting] of the Parties.

27.5 Any developing country Party to the Convention shall have a claim against all Annex [I][_] Parties, jointly and severally, for loss of income from export of fossil fuels, fossil fuel products, raw materials other than fossil fuels or finished or semi-finished goods in any given year after adoption of this Protocol by the [Conference of the Parties that is a direct or indirect consequence of the] inclusion in this Protocol of commitments by any or all of such Annex _ Parties for QELROs or for policies and measures, or performance or attempted performance by any or all of such Annex _ Parties of any such commitments. For purposes of this paragraph _, "loss of income" shall be liberally interpreted. Not in limitation of the foregoing, "loss of income" may be estimated by taking into account estimates of gross revenue [from the aforesaid exports, which reasonably could be expected to have been received] by the

claimant in the absence of the inclusion of the aforesaid commitments in this Protocol, less reasonably estimated costs of production and export that likely would have been incurred by the claimant in connection with lost exports.

27.6 A Party to the Convention asserting a claim pursuant to this Article shall submit its claim in writing to any Annex _ Party against whom it makes such claim within six years following the year for which the claim is made.

27.7 Any Annex [I][_] Party liable on a claim made pursuant to this Article shall have a claim for contribution against another Annex [I][_] Party for the portion of the liability that is attributable to the performance or attempted performance by such other Annex [I][_] Party of its commitments referred to in paragraph _.

27.8 *Provisions that may be proposed later concerning the establishment of a compensation mechanism, arbitration of claims and alternatives to such arbitration should be inserted.*

27.9 The IPCC shall assist in the preparation of recommendations on ways of mitigating the possible negative economic, social and ecological impacts of new commitments for Annex I Parties on developing countries and countries with economies in transition.]

I. Measurement, reporting and communication of information

Approach

[28. Communication of information related to implementation of this Protocol/another legal instrument shall be [in accordance with Article 12 of the Convention.] [accomplished as follows:]

[28.1 Each Annex [Q] [and Annex [Q1]] Party shall have in place by [the first year of its first budget period] a national system for the accurate measurement of anthropogenic emissions by sources, and removals by sinks, of greenhouse gases.

28.2 [For the purposes of implementing the paragraph above and promoting comparability, consistency, and transparency, the Parties shall, not later than their first meeting, decide on agreed best available methods for the measurement by Parties of anthropogenic emissions by sources, and removals by sinks, of greenhouse gases, taking into account the best available methods determined by the IPCC and other expert bodies. [They shall also decide on appropriate adjustments to measurements of emissions and removals where agreed best available methods have not been used.]] [The Parties shall periodically update agreed best available methods and adjustments based on evolving scientific knowledge, including advice from the Subsidiary Body for Scientific and Technological Advice referred to in Article 12.]

28.3 Each Annex [Q] [and Annex [Q1]] Party shall put in place, if it has not already done so, national compliance and enforcement programmes relevant to its implementation of the

obligations under this Protocol.]

[28.4 The provisions of the Convention as well as the existing relevant decisions adopted by the Conference of the Parties to the Convention apply mutatis mutandis. Hence, Parties [to the Protocol] shall submit consolidated reports on the policies and measures adopted as well as on the specific estimate of their effects [on the basis of the already existing regime.]

Content

[28.5 Each Party [to this Protocol] listed in [Annex I to the Convention/Annex [Q]] shall [include as part of national communications submitted under Article 12 of the Convention/ communicate] [through/to the secretariat] to the [Conference/Meeting] of the Parties the following information [in accordance with guidelines which the Parties adopt at their first meeting, taking into account any relevant guidelines adopted by the Parties to the Convention:]

[(a) Its quantified objective [selected under Article _ (*QELROs*)][listed for it in Annex [Q]];]

[(b) Its [national plan/National Action Plan] [made under Article _ (*policies and measures*)];]

[(c) A detailed description of the national measurement system it has in place, and an inventory of the emissions derived from these measurements;]

[(d) [A detailed description of] the policies [, programmes] and measures [it has undertaken to implement/adopted and implemented to meet/taken] [its commitments] under Articles _ (*QELROs and policies and measures*);]

[(e) A detailed description of relevant national compliance and enforcement programs it has in place, as well as a description of their effectiveness, including actions taken in cases of non-compliance;]

[(f) A specific [quantified] estimate of [the/their] effects [that these policies, programmes and measures will have on] [and its resulting [quantitative] projected] anthropogenic emissions [by sources and removals by sinks of its greenhouse gases] [and, as appropriate, their costs];]

[(g) Information on the [full] costs and benefits of the policies and measures described in subparagraphs _ above, [and on how such policies and measures form part of a least cost implementation strategy. At their first Meeting, Parties shall consider and agree on methodologies for Annex I Parties to undertake calculations of the [full] costs and benefits referred to above];]

[(h) In particular, the results of reviews of national policies and practices referred to in Article 4.2(e)(ii) of the Convention and any significant changes identified;]

[(i) Its voluntary goals established by the use of the indicators referred to in Article _ (*policies and measures*) if the policies and measures referred to in subparagraph (c) above are planned or are under implementation, and assessment carried out by the use of the indicators referred to in Article _ (*policies and measures*) if the policies and measures referred to in subparagraph (c) above have been completed;]

[(j) [A quantitative] Projection of [its net] anthropogenic emissions by sources and removals by sinks of CO_2, [through the budget periods] [until around the middle of the twenty-first century], [in accordance with guidelines to be developed by the Parties];]

[(k) Detailed information on any emission reductions or sink enhancements received from another Party in accordance with Article _ (*co-operative efforts by interested Parties*);]

[(l) In addition to the information required to be submitted under the paragraph above, each Annex [Q] [and Annex [Q1]] Party shall submit to the secretariat, on an annual basis and in accordance with the guidelines referred to in the paragraph above, its current calculation corresponding to each of the subparagraphs in Article _ (*calculation of budget*) and its remaining emissions budget for that budget period. With respect to any tonnes of [carbon equivalent] emissions allowed that are acquired or transferred under Article _ (*emissions trading*) or Article _ (*joint implementation*), the Party shall specify the quantity, Party of origin or destination, and the relevant budget period;] and

[(m) Any other information required to be submitted under this instrument.]

[28.6 Guidance documents for the communication of information relating to the Protocol and its review should be developed [and adopted by the Parties to the Protocol, and Parties shall submit their communications in accordance with these guidelines.]

[28.7 The Parties shall, not later than their first meeting, decide on agreed best available methods for the measurement of anthropogenic emissions by sources and removals by sinks of greenhouse gases, taking into account the best available methods determined by the IPCC and other expert bodies. They shall also decide on appropriate adjustments to measurements of emissions and removals where agreed best available methods have not been used.]

[28.8 The Parties shall periodically update agreed best available methods and adjustments based on evolving scientific knowledge, including advice from the Subsidiary Body for Scientific and Technological Advice.]]

Timing

28.9 Each Party listed in [Annex I to the Convention/Annex [Q]] shall submit [the information listed in paragraph _ as part of] its [initial/first] communication [due under Article 12 of the Convention] [relating to the Protocol] within [two years/one year/six months] [of the entry into force of the Protocol for that Party/from the closure of the first session of the [Conference/Meeting] of the Parties after entry into force of this Protocol, or within [two years/six months] of the entry into force of the Protocol for the Party if the Protocol enters into force for that Party after the first session of the [Conference/Meeting] of the Parties] [in accordance with guidelines which the Parties adopt at their first meeting, taking into account any relevant guidelines adopted by the Parties to the Convention.]

[28.10 Each Party not so listed shall make its initial communication within three years of the entry into force of the Protocol for that Party.]

[28.11 The frequency of subsequent communications by all Parties shall be determined [at a later date] at the [[first/sixth] session of the [Conference/Meeting] of the Parties and subsequent sessions] [taking into account the differentiated timetable for the initial submission set by this paragraph.]]

Transparency

[28.12 Information communicated by Parties under this Article shall be transmitted by the secretariat as soon as possible to the Parties and to any subsidiary bodies concerned.]

[28.13 Without prejudice to the ability of any Party to make public its communication at any time, the secretariat shall make information communicated by Parties under this Article publicly available at the time it is submitted to the Parties.]

Possible additional text

[29. Each [Annex I/Annex [Q]] Party within six months of the entry into force of this Protocol for that Party, shall communicate to the Conference of the Parties, through the secretariat, the following information:

(a) A detailed description of the policies and measures that it plans to adopt to implement its commitments [under Articles _ (*QELROs and policies and measures*)]; and

(b) Detailed [and] specific estimates, accompanied by detailed explanation as to the basis of such estimates, of the anticipated effects of each of the policies and measures identified in the communication referred to in subparagraph (a), and of the aggregate anticipated effects of all such policies and measures on the Party's anthropogenic emissions by its sources and removals by its sinks of greenhouse gases during each of the periods referred to in Article _ (*QELROs*).

29.1 Within twelve months of the entry into force of this Protocol for that Party and on or before [the] 15th [day of] April of each year thereafter, shall submit to the Conference of the Parties, through the secretariat, a certificate signed by a duly authorized official of that Party, which contains the following information:

(a) Detailed and specific information identifying all changes to the information communicated pursuant to the paragraph above that would make such information more current, informative or reliable;

(b) A list of all laws and other acts of government having the effect of law that, since entry into force of this Protocol for that Party, the Party has adopted in accordance with its internal lawmaking procedures to implement its commitments [under Articles _ (*QELROs and policies and measures*)];

(c) Specific estimates, accompanied by detailed explanation as to the basis of such estimates, of:

(i) Annual imports [measured in physical units and in monetary value] by the Party from the developing country Parties to the Convention of fossil fuels [, fossil fuel products, raw materials other than fossil fuels,] and finished or semi-finished goods following entry into force of this Protocol for that Party; and

(ii) Any changes in the future amounts of such imports [measured in physical units and in monetary value] which the Party believes could occur following entry into force of this Protocol for that Party and during each of the periods referred to in Article _ (*QELROs*) and in Article _ (*policies or measures*); and

(d) Specific estimates, accompanied by detailed explanation as to the basis of such estimates, of changes [measured in physical units and in monetary value] in the imports identified pursuant to subparagraph (c) above that the Party believes may be directly or indirectly attributable to the Party's actual or prospective fulfillment of its commitments under Articles _ [and _] (*QELROs and policies and measures*).

29.2 Information communicated by Parties pursuant to paragraph _ shall be transmitted by the secretariat as soon as possible to each of the Parties to the Convention.

29.3 Upon the initiative of the secretariat, or promptly following delivery to the secretariat of a written request by any Party to the Convention, the secretariat shall undertake an in-depth review of the information contained in a communication or certification submitted by a Party pursuant to paragraph _ (*reporting commitment*) for the purpose of clarifying or supplementing, and making assessments with regard to the completeness and apparent accuracy of all or part of such information. Each Party that has submitted information which is the subject of such

in-depth review shall co-operate reasonably with the secretariat in all matters concerning such review. In conducting in-depth reviews, the secretariat shall enlist the assistance of individuals who are qualified to make the assessments referred to above concerning the information that is the subject of such review. Any team or group of individuals providing such assistance to the secretariat shall consist of [at least one individual from a developing country for every [two] individual[s] from developed countries] [equal number of individuals from all regions (those recognized by the United Nations)] and, in so far as feasible, also shall reflect reasonable balance taking into account the diverse nature of the economies [within each region] of the Parties to the Convention. In so far as possible, the secretariat shall complete each in-depth review that has been requested by a Party to the Convention within six months following receipt of the request and shall transmit a written report of the in-depth review to each Party to the Convention as soon as possible, but no later than four months, following completion of the in-depth review.

29.4 Notwithstanding any other provision of this Protocol, the provisions of Articles _ [and _] (*QELROs and policies and measures*) shall expire and shall cease to have further force or effect if any one or more [Annex I/Annex [Q]] Parties that, according to the most recent national inventories that have been communicated pursuant to Article 12, paragraph 1 of the Convention, represent individually or in the aggregate 10 per cent or more of the total gross emissions of greenhouse gases [without regard to comparative radiative forcing or consideration of sinks] of all [Annex I/Annex [Q]] Parties:

(a) Shall fail to submit in any one year a communication or a certification as required by paragraph _ (*reporting commitment*); or

(b) Shall fail, at any time after the first anniversary of entry into force of this Protocol, to have adopted, implemented and kept in force policies and measures [including, but not limited to, laws and other acts of government having the effect of law] that, in light of such national inventories, the communications or certifications submitted by such Party or Parties pursuant to paragraph _ (*reporting commitment*), and/or the report of any in-depth review prepared pursuant to paragraph _ (*in-depth review*) with respect to such communication or certification, reasonably appear to be necessary to enable such Party or Parties to fulfil its or their commitments set forth in Article _ (*QELROs*).]

J. Review of information and implementation and compliance[4]

30. In addition to the review of communications conducted under Article 10.2(b) of the Convention, the [Conference/Meeting] of the Parties, shall consider the information submitted by Annex [Q] [and Annex [Q1]] Parties under Article _ (*reporting*) in order to assess [those Parties'/each Party's] implementation of [their/its] obligations.

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[4] *Proposals in this section were consolidated during the informal consultations held on QELROs. This was on the understanding that the resulting text would be considered, together with other elements related to compliance, in future discussions on institutions and mechanisms. The following text could therefore replace paragraphs 9 to 12 in the report of the informal consultations on institutions and mechanisms (see annex IV).*

[30.1 Reviews will be conducted by expert review teams, which will be coordinated by the secretariat and composed of experts selected from those nominated by Parties and, as appropriate, by intergovernmental organizations.

30.2 Reviews will be in connection with the review of communications conducted under Article 10.2(b) of the Convention and will be in accordance with guidelines to be adopted by the [Conference/Meeting] of the Parties. These guidelines shall, inter alia, provide for how information will be made available to the public and define mechanisms by which observers and the public may provide comments, supplemental data or other information to facilitate and improve reviews. The guidelines shall be periodically reviewed by [the [Conference/Meeting] of] the Parties for appropriate revision.

30.3 Review teams will review all aspects of a Party's implementation of this Protocol, including the likelihood that a Party will achieve its emissions [budgets] obligations. They will be authorized, inter alia, to review pertinent information and consult with the Party in question and others as necessary. They will prepare a report [to the [Conference/Meeting] of the Parties] assessing a Party's implementation of its obligations, identifying any areas of apparent non-compliance, as well as potential problems in achieving obligations.

30.4 Such reports will be circulated by the secretariat to all Parties. In addition, the secretariat will identify for further consideration any report indicating a question of implementation.]

[30.5 To facilitate the review of implementation of this Protocol, the secretariat shall, inter alia, co-ordinate the review of Annex [Q] and Annex [Q1] implementation, co-ordinate the reviews under Article _, identify for the Parties questions of implementation, including whether individual reports are consistent with reporting criteria; and prepare an annual compilation and synthesis report that contains inventory and budget information, and notes any discrepancies in accounting.

30.6 The Parties:

(a) Shall periodically review the adequacy of this Protocol;

(b) Shall review the implementation of this Protocol, including the information submitted in accordance with Articles _ and _, reports received from the review teams referred to in Article _, and any other reports and recommendations received from processes under this Protocol;

(c) Shall implement an appropriate regime to address cases of non-compliance with obligations under this Protocol, including through the development of an indicative list of consequences, taking into account the type, degree, and frequency of non-compliance; and

(d) [May/Shall] establish an implementation committee consisting of a subset of Parties to assist them, including by making recommendations, in carrying out functions referred to in subparagraphs (b) and (c) above]

[30.7 Based on [its reviews/the reports of the implementation committee], the [Conference/Meeting] of the Parties shall [make recommendations/take decisions] on any matter necessary for the implementation of the Protocol.]

[30.8 If the [Conference/Meeting] of the Parties, on receipt of the reports referred to in paragraph _ above, concludes that a Party is under difficulty in achieving the quantified objective referred to in Article _ (*QELROs*), the [Conference/Meeting] of the Parties shall make recommendations to the Party. The Party which received such recommendations shall review its policies and measures, and submit the results of its review to the [Conference/Meeting] of the Parties within one year of making such recommendations.]

K. Annexes

[Annex [G]

[Source categories/sectors (*to be developed*)] [GWP]

Carbon dioxide (CO_2)

[Methane (CH_4)

Nitrous oxide (N_2O)]

[Hydrofluorocarbons (HFCs)

Perfluorocarbons (PFCs)

Sulfur hexafluoride (SF_6)]]

[Annex [G1]

31. Annex [G1] shall be a list of anthropogenic land use change and forestry CO_2 emission and removal activities for which data certainties are judged by the Conference of the Parties to be adequate for the purposes of being accounted in assessing compliance with emission limitation commitments. Methodologies for establishing this list shall be those accepted by the IPCC and as decided by the Conference of the Parties.]

[Annex [Y]

32. Parties listed in Annex [Q] shall, individually or jointly, in accordance with paragraph _, reduce emission levels for CO_2, CH_4 and N_2O together (weighted total, using GWP with a 100 year time-horizon), by at least 7.5 per cent by 2005 and by 15 per cent by 2010 (reference year 1990). HFC, PFC and SF_6 should be added no later than 2000 to the basket of gases for the above reduction objectives.]

L. Annex to the report by the Chairman of the informal consultations on quantified emission limitation and reduction objectives

1. Review of commitments

Alternative A

[33. The Meeting of the Parties shall review and revise the commitments of the Annex I Parties contained in subparagraph _, and the commitments adopted pursuant to subparagraph _, in accordance with the precautionary principle and the best available scientific information and assessment of climate change, not later than five years after the entry into force of the Protocol and thereafter at regular intervals to be determined by the Meeting of the Parties.]

Alternative B

[34. To ensure the continuing effectiveness of this instrument the Parties shall undertake regular reviews of commitments under Article _ (*QELROs*), in accordance with a process to be determined by the Meeting of the Parties. That process shall provide, amongst other things, appropriate time-frames for reviews to take place.

34.1 The first review shall be completed [*y*] years after the entry into force of this instrument and thereafter at intervals of [*y*] years.[5] In addition, individual Parties may activate the review process in respect of their own commitments outside the scheduled review cycle in the event of an unforeseen change in their circumstances that will have a significant bearing on their capacity to implement their commitments under this Part (*on commitments of specified Parties*).

34.2 In carrying out such reviews, the Parties shall have regard to the following:

(a) Any factors having a bearing on the governing equity principle set out in Article _ (*QELROs*), including changes over time in the Parties' rates of GDP growth, population growth, emission intensity of GDP, fossil fuel intensity of exports and emission intensity of exports;

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[5] *Frequency of review could be greater for Parties with economies in transition, which face greater uncertainty in emissions projections.*

(b) Developments in scientific understanding of the causes and effects of climate change; and

(c) Relevant technological developments.

34.3 At the completion of the process under subparagraphs (a) and (b) above, the Meeting of the Parties may recommend adjustment to the commitments, as listed in Annex [A], of any Party or specified group of Parties.

34.4 Any recommendation under the above paragraph shall apply to a Party only when a communication accepting that recommendation has been lodged by that Party with the Depositary.]

Alternative C

[35. The Conference of the Parties shall review the adequacy of commitments on the basis of Article 2 of the Convention, of best available scientific information and assessment of climate change and its impacts, as well as relevant technical, social and economic information, and take appropriate action.

35.1 The first review and the appropriate action based on that review shall take place no later than 31 December 2002. Further reviews and appropriate action shall take place at regular intervals thereafter, to be decided by the Conference of the Parties.

35.2 The Conference of the Parties at its first session shall review the content and scope of all Annexes and shall update them regularly in the light of progress on the implementation of policies and measures by Parties, including progress on coordination of measures, the identification or elaboration of additional policies and measures, new scientific or technological advice, and other relevant developments.]

Alternative D

[36. The Conference of the Parties, as the supreme body of the Convention, shall keep under regular review the implementation of the Convention and any related legal instrument that the Conference of the Parties may adopt (Article 7.2 of the Convention).

36.1 Existing mechanisms in the Convention, including review, assessment and financing, shall apply to the commitments adopted by the Protocol/another legal instrument.

36.2 The review of this Protocol/another legal instrument shall be undertaken under Article 4.2(d) of the Convention.]

Alternative E

[37. *In order to reflect in policies the latest scientific information, such as IPCC Assessment Reports, a mechanism to regularly review this Protocol should be included. The Annex should be revised more flexibly than the Protocol itself.*]

Alternative F

[38. The Conference of the Parties to this Protocol shall, at its first session, establish a mechanism for the review of the adequacy of the commitments undertaken by the Parties, including QELROs contained in the Protocol, in the light of the evolution of scientific knowledge.]

Alternative G

[39. The Parties shall periodically review this Protocol, and guidelines established thereunder, in light of evolving scientific knowledge related to climate change.]

Alternative H

[40. The [Conference/Meeting] of the Parties shall at its [*x*] session, review the adequacy of commitments of the Parties under this Protocol with a view to achieving the objective of the Convention. Such review shall be carried out in light of the best available scientific information and assessment on climate change and its impacts, as well as relevant technical, social and economic information, and shall be conducted in conjunction with any pertinent review under the Convention or any related Protocol. Based on this review, the [Conference/Meeting] of the Parties shall take appropriate action, which may include the adoption of amendments to this Protocol.]

2. Elements related to atmospheric concentration

Alternative A

[41. The Parties to this Protocol shall be guided by the objective referred to in Article 2 of the Convention.

41.1 In this respect, Parties shall be guided, inter alia, by the assessments from the IPCC. In taking note of the serious risk of an increase of the global average temperature and particularly the very high rate of change, Parties [take note] [believe] [shall ensure] [that global average temperatures should not exceed 2 degrees Celsius above the pre-industrial level and that] [therefore] [stabilization of atmospheric concentrations of CO_2 at 550 parts per million by volume (ppmv) will eventually require global emissions to be less than 50 per cent of current levels] [concentration levels lower than 550 ppmv CO_2 should guide global limitation and reduction efforts] [and that the global mean sea level rise resulting from climate change does not

exceed 20 centimetres above 1990 levels]. [This means that the concentration of all greenhouse gases should also be stabilized.]]

Alternative B

[42. The Parties shall periodically, [at least every _ years], review this Protocol and guidelines established thereunder, in light of evolving scientific knowledge related to climate change. In this context, Parties shall co-operate in the establishment of a long-term goal with respect to atmospheric concentrations of greenhouse gases.]

Annex II

POLICIES AND MEASURES

[A. General provisions

1. Each of the Parties included in [Annex I to the Convention/Annex [Q]] shall:

(a) Adopt national policies and measures necessary to limit and reduce emissions by sources and to protect and enhance its greenhouse gas sinks and reservoirs to modify longer term trends in anthropogenic emissions consistent with the objective of the Convention, and identify environmental and economic impacts and results that could be achieved with regard to time horizons such as 2005, 2010 and 2020; and

(b) Ensure that these policies and measures applied by each of these Parties will have no adverse impacts on socio-economic conditions of developing country Parties, especially those listed in Article 4.8 of the Convention.

1.1 The policies and measures, applied by each of the Parties included in Annex [Q], shall:

(a) Address all greenhouse gases, their emissions by sources and removals by sinks, and all relevant sectors;

(b) Contribute to the stabilization of greenhouse gas concentrations in the atmosphere as elaborated in Article 2 of the Convention; and

(c) Include, and maintain a balance between, those policies and measures aimed at reducing emissions of greenhouse gases in emitting sectors and those aimed at reducing consumption of their products.

1.2 Each Party in Annex [Q] shall take fully into account the provisions contained in Article 4.8 in the implementation of their policies and measures, which shall be in accordance with Article 3.5 of the Convention.

1.3 Parties listed in Annex [Q] must draw up a National Plan for limiting and reducing anthropogenic emissions by sources and enhancing removal by sinks and reservoirs of greenhouse gases. Included in this plan will be the possibility of carrying out joint implementation projects. The national plans to be drawn up must be forwarded to, and registered with, the [Conference/Meeting] of the Parties, and are binding on the submitting Party.

1.4 Each Party included in Annex [Q] shall develop a national plan for the limitation and reduction of anthropogenic emissions by sources and the increments of removals by sinks. [In its national plan] Each party included in Annex [Q] shall [adopt/consider] appropriate policies and corresponding measures in each of the following areas:

(a) Efficient use of energy;

(b) Introduction of carbon free or low-carbon energy;

(c) Innovative technological development;

(d) International technical co-operation and transfer of technologies; and

(e) Protection and enhancement of sinks and reservoirs of greenhouse gases not controlled by the Montreal Protocol.

1.5 Specific policies and measures in each area referred to in paragraph _ above shall be included in a list associated with this Protocol.

1.6 [The [Conference/Meeting] of the Parties shall decide on indicators [through subsidiary bodies]. Each Party included in Annex [Q] shall establish voluntary goals measured in these indicators.] [Each Party included in Annex [Q] shall adopt performance indicators for these policies and measures.]

1.7 Commitments shall be fulfilled individually and not through co-ordinated actions:

(a) CO_2 and energy taxation in particular shall be ruled out.

1.8 Each Party listed in Annex [Q] [and [Q1]] shall undertake policies and measures for the mitigation of climate change. These Parties shall report in detail on their programs, including providing a detailed description of the policies and measures taken to achieve the QELRO described in Article _. Any Party may, as desired, undertake such policies and measures jointly or in coordination with any other Party.

1.9 The secretariat shall compile a list of policies and measures adopted by Parties in fulfilment of paragraph _ above, and circulate a description of these to all Parties for their consideration.

1.10 Parties listed in Annex [Q] shall adopt and implement policies and take measures within national and, where appropriate, regional programmes referred to in paragraph 4.1(b) of the Convention to limit and reduce anthropogenic emissions of greenhouse gases not controlled by the Montreal Protocol from all relevant sectors, including renewable energies; energy efficiency standards, labelling and other product-related measures; CO_2 emissions from the transportation sector; economic instruments in the field of climate change; energy policies; industrial sector emissions, including voluntary agreements; agriculture; emissions from waste; fluorocarbons and sulphur hexafluoride (SF_6); municipal actions; and to protect and enhance sinks and reservoirs, including forests. Parties listed in Annex [Q] shall adopt and implement the policies and measures set out in List A. Parties listed in Annex [Q] shall give high priority to the adoption and implementation of the policies and measures set out in List B, which should be coordinated

using the guidelines developed by the process below. Parties listed in Annex [Q] shall give the policies and measures in List C priority for inclusion in national programmes, as appropriate to national circumstances. A coordination process is instituted under Subsidiary Body for Scientific and Technological Advice to develop guidelines for implementing the common measures set out in List A and the coordinated measures set out in List B for adoption by the [Conference/Meeting] of the Parties by _.

1.11 To enhance the level of climate change abatement co-operation, Parties [or a subset of Parties] listed in Annex [Q] [shall/may] co-operate to establish internationally coordinated cross-sectoral, cost-effective policy instruments.

1.12 On the basis of policies and measures determined by Annex [Q] and [Q2] Parties in their national communications, any group of Parties to the Protocol can agree to elaborate common directions of policies and measures which then become obligatory for that group of Parties.

1.13 The adoption of policies and measures shall be based on the advice provided by the coordination mechanism established pursuant to Article _ (*coordination mechanism*).

1.14 Parties listed in Annex [Q] shall agree to adopt, and define adequate mechanisms to report on, the coordinated or common policies and measures listed in this agreement on the understanding that Parties will continue to retain maximum flexibility in deciding how best, based on their national circumstances, they can reach emission limitation/reduction objectives. Hence, for this agreement, policies and measures agreed to will focus on information sharing, common underlying messages and voluntary activities. Over time, the agreement should be sufficiently flexible to allow for amendments/additions in an expeditious manner by the Parties to this agreement. In order to implement policies and measures listed in this agreement, Parties shall use existing mechanisms, to the extent possible, without duplicating work in other bodies.

1.15 Parties listed in [Annex I to the Convention/Annex [Q]] commit themselves specifically to the policies and measures in Lists _ (*lists of policies and measures*).

1.16 The measures in List _ shall be internationally coordinated among Parties and shall be listed in the Protocol.

1.17 A detailed list of possible policies and measures to be implemented by Annex [Q] and Annex [Q2] Parties is contained in Annex _ of the Protocol. Each Annex [Q] and Annex [Q2] Party determines its policy directions and measures from this list, in accordance with Annex _ (*GWPs of gases*), and these are then declared in its national communications. Under this procedure, such policies and measures become mandatory for the Parties concerned.

1.18 Each Annex [Q] Party shall have the discretion to select those policies and measures that are best suited to its national circumstances for meeting its emission limitation and reduction commitments.

B. Lists of policies and measures

List A

Energy

2. Improve the financial mechanism for assisting developing countries and countries with economies in transition to develop national resources and promote the reduction of greenhouse gas emissions.

2.1 (a) Promote fuel switching to less carbon-intensive fuels;

(b) Where appropriate, institute reforms of energy markets directed at increasing efficiency, including by increasing competition; and

(c) Increase energy efficiency, reduce energy losses and greenhouse gas emissions, including in the energy production and transformation, distribution, industrial, transport, household and agricultural sectors.

2.2 (a) Apply economic instruments to ensure that market prices give appropriate signals to consumers and businesses to limit and reduce emissions of greenhouse gases;

(b) [Abolish/progressively phase out/reduce/restructure] subsidies [and] [taxes/tax incentives] [on fossil fuels/on coal as the most polluting source of energy] [that run counter to the objectives of the Convention] [and other market imperfections existing in greenhouse gas emitting sectors];

(c) Not introduce new or increased [oil/energy/CO_2/greenhouse gas] taxation until Parties listed in Annex [Q] restructure their existing tax systems to truly reflect the relative contribution of greenhouse gases of each unit of emitting sources in all economic sectors; and

(d) Introduce an incentive tax on CO_2.

2.3 Realize a significant increase in the share of renewable energy in their energy supply, taking into account national characteristics, including through:

(a) Identification, reduction and progressive removal of existing barriers, which prevent the penetration of potentially cost-effective renewable energy technologies in the market;

(b) Creating economic or other incentives for the development and diffusion of emerging technologies in the field of renewable energies and for the expansion of the markets for potentially cost-effective renewable energy technologies; and

(c) Ensuring that existing international financial institutions and programmes make a major effort in the field of renewable energy.

2.4 (a) Promote the development [of technologies] and increased use of renewable sources of energy; and

(b) Promote and develop [carbon free or low-carbon] [renewable] sources of energy [including solar, nuclear and biomass].

2.5 Urge multilateral development banks (MDBs) in their financing practices with relevant Annex [Q] Parties to:

(a) Focus on energy efficiency, [renewable energy] and greenhouse gas abatement technologies;

(b) Report on performance regarding consistency of their operations with the objectives of the UNFCCC; and

(c) Make concessionary financing available to Energy Service Companies (ESCOs) with an initial focus on capacity-building.

Transport

2.6 Reduce greenhouse gas emissions of all transportation modes and in particular significantly reduce emissions from newly registered motor vehicles, including via:

(a) Labelling of fuel economy;

(b) [Working] - through the International Civil Aviation Organization (ICAO) - [towards] abolish[ing] the exemption of aviation fuel from taxes and excise duties; introduc[e/ing] aviation fuel taxation for international flights; and set[ting] fuel efficiency standards for aircraft and aircraft engines;

(c) Working - through the International Maritime Organization (IMO) - towards the use of appropriate economic instruments, including taxation, to encourage the use of cleaner fuels and more fuel-efficient engines;

(d) Minimum excise duty on fuels; and

(e) Setting average fuel consumption targets for new vehicles.

2.7 (a) Implement their commitments in subparagraph 4.2(e)(ii) of the Convention, namely identify and periodically review and report on their own policies and practices which encourage activities that lead to greater levels of anthropogenic emissions of greenhouse gases

that would otherwise occur. In particular, this should apply to the transportation sector; and

(b) Seek voluntary agreements with manufacturers for fuel efficiency improvements of all transportation modes. Coordination of agreements can be made at a regional and/or broader level, as appropriate;

(c) Develop in common, a list of successful measures to mitigate greenhouse gas emissions in the transportation sector. Such measures should be given priority in national programmes, as appropriate to national circumstances;

(d) Communicate and regularly update information on the energy efficiency of the various transportation modes and on the effects of policies and measures in progress in the transport sector, with the aim of establishing, in co-operation, an international database to monitor the effects of such actions. The creation of the database shall not duplicate existing work;

(e) Co-operate through ICAO to address greenhouse gas emissions from international aviation bunker fuels; and

(f) Co-operate through IMO in the development of policies and measures to address greenhouse gas emissions from international marine bunker fuels.

Industry

2.8 [Improve energy efficiency of electric appliances, equipment [and buildings] in general to the highest technical level that is still cost-effective, including through:]

(a) [Energy-consumption labelling] [work towards harmonization of energy-consumption labelling schemes] [energy efficiency standards and labelling for common household appliances] [for electrical appliances, equipment and buildings];

(b) Seek harmonization of test protocols and measurement and analytical techniques regarding energy efficiency standards for electrical appliances [equipment and buildings]; and

(c) Monitoring and sharing information on energy efficiency levels of current and future standards [for electrical appliances, equipment and buildings].

2.9 Use the following energy efficiency standards:

(a) New buildings:

(i) Building insulation standards (k-values) adapted to the geographical situation of the Annex [Q] Parties shall be introduced; and

(ii) Quality standards for construction products shall also be defined.

(b) Appliances - target values to limit the energy consumption of appliances shall be introduced. These values shall be negotiated with the main appliance manufacturers. The following appliances shall be considered:

(i) Household appliances - refrigerators, freezers, washing machines and dryers, dishwashers, electric ovens, televisions, video recorders and air conditioners; and

(ii) Office equipment - personal computers, monitors, printers, photocopiers, facsimile machines.

2.10 Limit and/or reduce emissions of fluorocarbons and SF_6, including through:

(a) The use, as far as possible, of non-greenhouse gas or low GWP alternatives instead of high GWP fluorocarbons;

(b) Controlled recovery, regeneration and prudent disposal;

(c) Avoiding the use of self-chilling drink cans containing substances which have a high global-warming potential;[6] and

(d) Implementation of measures prescribed by the UNECE protocols on the control and reduction of volatile organic compounds (VOCs) and nitrogen oxide (NO_x);

2.11 Reduce fluorocarbon emissions from refrigeration and air-conditioning equipment.

2.12 Reduce emissions of N_2O.

Agriculture

2.13 Promote sustainable agriculture via:

(a) Communicating and regularly updating information on agricultural practices that increase carbon sequestration and reduce greenhouse gas emissions with the aim of establishing, in co-operation, an international database. The creation of the database shall not duplicate existing work;

(b) Encouraging voluntary actions in the agriculture sector. In particular, actions may include the production of dedicated energy crops, the increased use of bio-fuels, on-farm energy use of CH_4, the use of options to reduce enteric fermentation, the use of precision fertilizers

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[6] *Under investigation.*

application technologies, nitrogen testing kits, and nitrification inhibitors; and

(c) Sharing information on national research and development programmes in sustainable agriculture.

2.14 Reduce emissions of CH_4 through recovery and use.

Forestry

2.15 Conserve and enhance, as appropriate, greenhouse gas sinks and reservoirs; pursue sustainable policies in the forestry sector, without negatively affecting long-term productivity and biodiversity, including through:

(a) Developing forest management practices, including afforestation and re-afforestation policies, that expand carbon storage in the forest ecosystem, including soils;

(b) Expanding afforestation and reforestation that, where possible, provide a basis for viable and sustainable bio-fuel and wood production for local demands and for industrial use and provide other beneficial effects such as watershed protection, protection against natural hazards or recreation; and

(c) Undertaking measures and forest management practices to decrease N_2O and CH_4 emissions and increase soil carbon.

2.16 Protect and enhance sinks and reservoirs of greenhouse gases not controlled by the Montreal Protocol [including through reforestation and combating desertification and establishing regulations for sustainable forest use.]

2.17 Combat desertification.

Waste management

2.18 Reduce emissions of CH_4 through recovery and use.

Other

2.19 Promote innovative technological development, international technical co-operation and transfer of [climate change] technologies and know how.]

List B

Energy

3. Promote the introduction of carbon-free or low-carbon energy:

(a) Introduction of renewable energy (such as photovoltaic systems [one hundred million (kilowatt-hour)] and wind power generation [kilolitre oil-equivalent][share in primary energy supply (per cent)]); and

(b) Energies other than those in (a), which are described in Chapter III 1-4-2 "Introduction of energy sources that produce little or no CO_2 emissions" of the first national communication of Japan (submitted in September 1994) could be candidates for this list.

3.1 (a) Encourage fuel switching to less greenhouse gas emitting sources; and

(b) Reduce greenhouse gas emissions in energy production, processing, transportation and distribution.

3.2 Modify energy policies, including through:

(a) Promoting reduction of energy losses and of greenhouse gas emissions, in particular CH_4, in the production, transport and distribution of energy; and

(b) Promoting, where appropriate, the use of integrated resource planning and least cost planning.

3.3 Pursue the development of technology relevant to climate change, including:

(a) Energy and resource saving measures in the field of electricity generation, its distribution and consumption, in transport, industry, residential, commercial and other sectors; and

(b) Alternative energy sources.

3.4 Apply economic instruments to ensure that market prices give appropriate signals to consumers and businesses to limit and reduce emissions of greenhouse gases, including through:

(a) A framework for the introduction of an environmental carbon and/or energy taxation scheme;[7] and

(b) A framework for domestic tradeable quota schemes or permits.

3.5 Pursue the development of economic measures relevant to climate change, including:

(a) Implementation of market mechanisms in such fields as pricing, standards, taxation, policy; and

(b) Introduction and implementation of regulatory functions such as penalties for exceeding maximum admissible atmospheric emissions of greenhouse gases not controlled by the Montreal Protocol.

3.6 Promote access for all Parties to renewable energy technology, and remove all restrictions on its transfer.

3.7 Promote access for all Parties bio-fuel and sustainable wood production for local demand and for industry.

3.8 Promote the efficient use of energy by:

(a) Improvement of power generation efficiency [general average of power generation efficiency (per cent)];

(b) Promotion of cogeneration (including fuel cells) [kilowatt];

(c) Promotion of energy-saving in buildings and housing; and

(d) Promotion of efficient use of waste biomass energy [the number of facilities].

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[7] This framework could include:

(a) A common environmental taxation structure;

(b) Minimum taxation target rates, with an effective multilateral consultative process for reviewing taxation rates and possible exemptions, and monitoring the effects of taxes in reducing emissions;

(c) Study of a phasing-in mechanism, including agreement on a transitional period and possible exemptions during that period;

(d) Consideration of the sectors, sources and fuels which could be subject to taxation; and

(e) Timetable for implementation.

3.9 (a) Improve energy efficiency of electric appliances, equipment and buildings in general to the highest technical level that is still cost-effective, including through voluntary agreements with producers and importers of these products and, if necessary or where appropriate, mandatory minimum efficiency standards of the products;

(b) Pursue voluntary agreements with energy producers and importers and industry to improve energy efficiency; and

(c) Modify energy policies, including through improving energy efficiency of power plants and extending the use of combined heat and power.

Transport

3.10 Reduce greenhouse gas emissions of all transportation modes and in particular significantly reduce emissions from newly registered motor vehicles, for example:

(a) Promote voluntary agreements with the manufacturing industry to reduce CO_2 emissions;

(b) Develop complementary measures aimed at developing the market for fuel-efficient, low-CO_2 vehicles and alternative fuels;

(c) Work, through ICAO, towards:

(i) Improvements in the coordination of international air traffic management; and

(ii) Continued development of information and guidance for airlines and airports to raise awareness and promote best environmental practice in air transport policy.

3.11 Shift transport of goods and passengers to low-emission transport modes.

3.12 Promote the reduction of CO_2 emissions from newly registered cars.

3.13 Promote the use of public transport.

3.14 Give high priority to the promotion of rail for the transport of goods and passengers, and in particular, the combined use of rail/road transport at a national and regional level, for inclusion in Annex [Q] national programmes and consider rail transport for common, co-ordinated application.

3.15 Promote the efficient use of energy by improving automobile fuel efficiency (in the case

of Japan, 10.15 mode[8] fuel efficiency (kilometre/litre)).

3.16 Encourage innovative technological development, including via:

(a) Research and development on advanced low or non-emission vehicles; and

(b) Research and development on new generation city vehicles.

Industry

3.17 Reduce industry sector emissions, including through:

(a) Voluntary agreements in internationally oriented industrial sectors regarding energy efficiency and greenhouse gas efficiency and the development and introduction of advanced technology; and

(b) International coordination on standards for energy efficiency and on the use of fiscal incentives for encouraging advanced options improving energy efficiency and reducing greenhouse gas emissions.

Agriculture

3.18 Reduce greenhouse gas emissions from agriculture, including through:

(a) Promotion of bio-energy production such as energy crops and energy plantations, as appropriate, where a net reduction of greenhouse gas emissions results;

(b) Identifying and promoting cost-effective ways to include climate change considerations in the general agricultural policies applied by different Parties and agreeing to pursue those policies and measures in the World Trade Organisation (WTO) and other relevant bodies; and

(c) Voluntary agreements with specific sectors to improve energy efficiency and reduce greenhouse gas emissions.

3.19 Pursue the development of technology relevant to climate change, including rational land use and agriculture.

3.20 Pursue the development of technology relevant to climate change, including the reduction of emissions and leakages of CH_4.

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[8] *Fuel economy test cycle in Japan. The majority of new vehicles are subject to one of three types of fuel economy test cycle (European, Japanese and American types).*

Forestry

3.21 Ensure the protection and enhancement of sinks and reservoirs of greenhouse gases not controlled by the Montreal Protocol, via:

(a) Sustainable management of forest and afforestation/reforestation [area of forest][growing stock]; and

(b) Development of green spaces in urban areas [area of city parks].

3.22 Pursue the development of technology relevant to climate change, including Implementation of specific measures to raise quality of sinks and reservoirs of greenhouse gases.

Waste management

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Other

3.23 Encourage innovative technological development, including via research and development of CO_2 separation, fixation and utilization technology.

3.24 Pursue international technical co-operation and transfer of technologies, including via:

(a) Activities implemented jointly [the number of projects] [an amount of expenditure];

(b) Co-operation for human resource development; and

(c) Co-operative research projects and studies.

3.25 Pursue the development of scientific knowledge relevant to climate change, including via:

(a) Fundamental and applied research on climate change problems;

(b) Development and refinement of estimates, scenarios and projections of climate change and its effects; and

(c) Creation of the system of monitoring of greenhouse gas concentrations in the atmosphere.

3.26 (a) Limit and/or reduce emissions of fluorocarbons and SF_6, including through voluntary agreements with sector organizations covering relevant aspects of the use of fluorocarbons and SF_6, the design of applications and the collection, recycling and regeneration

of these substances, in all sectors and, if necessary, or where appropriate, product standards with respect to, inter alia, leakages; and

(b) Develop international co-operation on policies and measures leading to reduction of fluorocarbon emissions.

3.27 Promote education, training and public awareness.

List C

This list, contained in paragraphs 262.11-262.22 in document FCCC/AGBM 1997/3/Add.1, has not been reproduced here, but shall be considered as part of this report.]

Annex III

CONTINUING TO ADVANCE THE IMPLEMENTATION OF EXISTING COMMITMENTS IN ARTICLE 4.1

[***Chapeau***

The following text is without prejudice to the provisions of Article 4.1 of the Convention.

Alternative A

1. All Parties, taking into account their common but differentiated responsibilities [and respective capabilities] and their specific national and regional development priorities, objectives and circumstances, shall not introduce any new commitments for Parties not included in Annex I, but reaffirm existing commitments in Article 4.1 and continue to advance the implementation of these commitments in order to achieve sustainable development, taking into account Articles 4.3, 4.5 and 4.7.

Alternative B

2. The Parties shall, in accordance with [Article 4.1 of the Convention and with the provisions of this Article] [the provisions of paragraphs _ below[9]] continue to advance the implementation of commitments in Article 4.1 of the Convention [.] [and] [Further they shall] strengthen their collaboration through bilateral, [and] multilateral [and convention-based] mechanisms so as to facilitate reaching the ultimate objective of the Convention [[and] in order to achieve sustainable development, taking into account Articles 4.3, 4.5 and 4.7].

2.1 Continuing to advance implementation of existing commitments in Article 4.1 by non-Annex I Parties is contingent upon the effective implementation by developed country Parties of their commitments related to financial resources and transfer of technology, and will take fully into account that economic and social development and poverty eradication are the first and overriding priorities of the developing country Parties. [Accordingly [the operating entity of the financial mechanism] shall provide the necessary resources for the implementation of the provisions of paragraphs _ below[1] in each developing country Party in an expeditious and timely manner.]

2.2 [A fund/funds] for the provision of new and additional financial resources, which are predictable and adequate, to meet the needs of developing country Parties to advance implementation of their existing commitments under this Article/these provisions shall be set up under this Protocol in accordance with Articles 4.3, 4.4, 4.5, 4.7, 4.8 and 11 of the Convention.

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[9] *Proposals to advance the implementation of existing commitments in Article 4.1*

Emission inventories (Article 4.1(a))

3. All Parties shall develop, at the national level, local emission factors, activity data and models that reflect the socio-economic conditions of each [developing country] Party for the elaboration and periodic updating of national inventories, in the light of [the preparations of] initial national communications [based on the guidelines and format for non-Annex I communications] [and Annex II Parties to the Convention shall provide new and additional financial resources to meet the agreed full costs incurred by developing country Parties in the preparation of their national communications]

3.1 Each Party shall [submit to the secretariat on an annual basis] [provide] [annual] inventory data for greenhouse gases consistent with any guidelines adopted by the Parties and, to the extent possible, move to use full IPCC compatible methodologies for preparation of inventories.

3.2 The Parties [shall] [to] co-operate [in identifying and agreeing specific means and approaches to foster] bilateral[ly], [regional] and [global co-operation to] [multilaterally in] facilitat[e/ing] mitigation [of] and adaptation to climate change, including through [the] development of national inventories of greenhouse gas emissions.

National programmes (Article 4.1(b))

4. All Parties shall formulate, implement, publish and regularly update [and make available to the Conference of the Parties strategies for mitigation of climate change in order to achieve sustainable development] [and update] [at the] national and where appropriate, regional [level] programmes [regularly, in addition to any updating carried out in the context of national communications] containing measures to [address climate change and its adverse impacts in order to achieve sustainable development].

4.1 Each Party shall [strengthen its [respective] legal and institutional frameworks [as appropriate]] to advance the implementation of its [existing] commitments under Article 4.1 of the Convention.]

4.2 The Parties shall co-operate [bilaterally and multilaterally] [in identifying and agreeing specific means and approaches to foster bilateral, regional and global co-operation to] [in] facilitat[e/ing] mitigation [of] and adaptation to climate change, including through the formulation and implementation of relevant programmes of measures to mitigate and adapt to climate change, with a special consideration of measures which also favour the economic development of Parties [as well as of measures in sectors largely open to international competition].

4.3 [Each Party shall have] [national] programmes to incorporate [as appropriate] policies and measures [at the national level] to [promote] [remove obstacles to] the limitation of greenhouse gas emissions and [to] the enhancement of sinks including by:

(a) Increasing energy efficiency;

(b) Emphasizing market-oriented pricing,

(c) Increasing the use of renewable energies;

(d) Making improvements in the transport sector;

(e) Improving efficiencies in industrial production processes;

(f) Promoting the development and sustainable management of sinks and reservoirs of greenhouse gases;

(g) Improving integration of climate change considerations into agriculture;

(h) Removing obstacles to the limitation of greenhouse gas emissions and to the enhancement of sinks; and

[(i) Establishing appropriate energy regulatory structures and encouraging energy sector reforms.]

4.4 Each Party shall take actions to address climate change that are justified economically in their own right and can also help in solving other environmental problems.

4.5 Each Party shall:

[(a) Quantify the effects of the measures it implements [including those under paragraphs 4.3 and 4.4];]

(b) Evaluate barriers to the adoption of potential measures; and

(c) Report to the secretariat, as part of its communication under the Convention, on the measures it has implemented, measures it plans to implement, and barriers to the adoption of potential measures.

Technology (Article 4.1(c))

5. All Parties shall promote effective modalities for the access and transfer, in particular to developing countries, of environmentally sound technologies, and know how, practices and processes pertinent to mitigation of and adaptation to climate change by means of activities, including the formulation of policies and programmes for the effective transfer of environmentally sound technologies that are publicly owned or in the public domain, and encourage the private sector to promote and enhance access to and transfer of patent protected environmentally sound technologies, in particular to developing countries.

5.1 The Parties [to/shall] co-operate [bilaterally and multilaterally] in [identifying and agreeing specific means and approaches to foster bilateral, regional and global co-operation to] [in] facilitat[e/ing] mitigation [of] and adaptation to climate change, including [through] the development, application and diffusion, including transfer, of technologies, practices and processes that control, reduce or prevent greenhouse gas emissions [particularly in sectors strongly exposed to international competition].

5.2 All Parties shall, on the basis of strategies for the mitigation of climate change, make national inventories of the need and market potential for technologies, practices and processes that control, reduce or prevent anthropogenic emissions of greenhouse gases. Each Party shall take measures to facilitate investment in climate-friendly technologies.

5.3 All Parties shall ensure the transfer of material, equipment and technology for renewable sources of energy [including solar and biomass] to [all Parties] [developing countries] [on concessional and preferential terms]. [[All Parties] [Developing country Parties] shall remove all restrictions on such transfers.]

Sinks and reservoirs of greenhouse gases (Article 4.1(d))

6 All Parties shall promote sustainable management [for] [and promote and co-operate in the provision of necessary financial and technological resources for] conservation and enhancement, as appropriate, of sinks and reservoirs of all greenhouse gases not controlled by the Montreal Protocol, including biomass, forests and oceans as well as other terrestrial, coastal and marine ecosystems [taking into account the work being done in other relevant fora].

Impacts of climate change Article (4.1(e))

7 All Parties shall co-operate in preparing for adaptation to the impacts of climate change through the assessment [at the national level] of the environmental, economic and social impacts of climate change, including sea level rise, changes in storms or storm surges, and the risk to coastal ecosystems, including fragile ecosystems, wetlands, coral reefs and atolls, as well as freshwater supplies, arid and semi-arid areas, drought and desertification, and [the development and implementation of integrated plans for coastal zone management, water resources and agriculture, and for the protection and rehabilitation of terrestrial, coastal and marine ecosystems and areas affected by drought and desertification, as well as floods].

Climate change considerations in relevant policies and actions (Article 4.1(f))

8 All Parties shall assess [at the national level] the environmental, economic and social consequences [on all Parties] [in particular on developing country Parties] of various response strategies, as well as their effects on greenhouse gas emissions with a view to minimizing adverse effects on the economy, on infrastructure, on human settlements, on social and cultural practices, on public health and on the quality of the environment of projects or measures undertaken by them to mitigate or adapt to climate change and include such assessments in

national communications.

Alternative A

9. All Parties [shall] [identify and agree to] [implement strategies to ensure climate change considerations are taken into account in relevant government policy areas and initiatives] [and include an [assessment] [evaluation of the effects thereof] in national communications.] [All Parties to the extent possible shall develop and utilize [national level] indicators of relevant [to] [voluntary measures for the] mitigation of and adaptation to climate change] [in the context of sustainable development with particular reference to paragraph 4 of decision 4/5 adopted by the United Nations Commission on Sustainable Development (CSD) at its fourth session, in 1996.]

Alternative B

10. All Parties shall, to the extent possible, develop and utilize relevant indicators to assist in the assessment of the impact of climate change and the response measures on the economy, public health and the quality of the environment.

Research and systematic observation (Article 4.1(g))

11. All Parties shall develop [at the national level] systematic observation and data archives, scientific and technical research, and [support for improving] endogenous capacities and capabilities to participate in international and intergovernmental programmes related to the climate system [taking into account the particular concerns and needs of developing country Parties, in the implementation of Article 5.] [and the enhancement at the national level of access to, and the exchange of, data and analyses thereof, obtained from areas beyond national jurisdiction.]

11.1 Parties shall, to the extent possible, support and/or participate in the work of:

(a) Relevant international bodies in examining, elaborating, assessing, developing and implementing strategies for mitigation and adaptation to climate change and international programmes related to climate change; and

[(b) The MDBs and other international development finance institutions, in [addressing through assistance strategies how best to support policies and measures under paragraphs 4.3 and 4.4 above, together with other economic development objectives and in establishing appropriate climate change programs at these institutions] [the integration of climate change considerations in their mainstream activities such as through focus on energy efficiency and greenhouse gas abatement technologies, and reports on performance in this regard].]

Exchange of information (Article 4.1(h))

12. All Parties shall [in accordance with Article 4.7 of the Convention] promote and co-operate [through the provision of the necessary financial and technological resources] in the full, open and prompt exchange of relevant scientific, technological, technical, socio-economic and legal information related to the climate system and climate change, and to the economic and social consequences of various response strategies [including through the establishment of relevant mechanisms in the subsidiary bodies of the Convention.]

Education, training and public awareness (Article 4.1(i))

13. All Parties, in accordance with Article 6 of the Convention, shall develop and implement [at the national level] education and training programmes, and strengthen national institutions including the exchange or secondment of personnel to train experts, and develop guidelines/methodologies through the relevant bodies of the Convention. [[Annex I Parties] [Each Party] shall continue to report, as part of their/its communication under the Convention, on how it is promoting public education and participation in the development of climate change policy.]

Information related to implementation (4.1(j))

Alternative A

14. All Parties shall communicate to the Conference of the Parties information related to implementation, in accordance with Articles 10.2(a) and (b), and Article 12 taking fully into account the respective guidelines for Annex I and non-Annex I Party communications adopted by the Conference of the Parties [at its second session].

Alternative B

15. All Parties shall, in respect of national communication participate in:

(a) [Arrangements for] in-depth reviews of [non-Annex [Q]] Parties' communications [should be strengthened along the lines of the Organization of Economic Co-operation and Development (OECD) Countries Environmental Performance Reviews (that is, including a formal opportunity for other Parties to ask questions about the review findings); and]

(b) In-depth reviews of [Annex [Q]] Parties' communications in accordance with Articles _ .

Alternative C

16. In respect of national communications:

(a) In-depth reviews of [Annex [Q]/Annex I] Party communications shall take place in accordance with Article _ (*review process*); and

(b) Consideration of [non-Annex [Q]/non-Annex I] Parties communications shall take place in accordance with a process, to be established by the Parties, that is designed to:

(i) Enable the review of the effects of individual measures;

(ii) Assist Parties in identifying and implementing appropriate measures for mitigating net anthropogenic emissions of greenhouse gases;

(iii) Identify key sectors and technological options within them;

(iv) Consider possibilities for promoting voluntary arrangements with industry aimed at identifying and encouraging implementation of measures; and

(v) Explore various means through which Parties could obtain both the know-how and the technology needed to implement options identified.]

Annex IV

ELEMENTS RELATED TO INSTITUTIONS AND MECHANISMS AND INTRODUCTORY AND FINAL CLAUSES

A. Introductory elements

1. Preamble

Alternative A

[The Parties to this Protocol,

Being Parties to the United Nations Framework Convention on Climate Change adopted at New York on 9 May 1992 (hereinafter referred to as the "Convention"),

In pursuit of the ultimate objective of the Convention as stated in its Article 2 (*para. 10.1 and 14*[10]),

Recalling the provisions of the Convention and being guided by the principles contained in its Article 3[11],

Having reviewed Article 4.2(a) and (b) of the Convention at the first session of the Conference of the Parties to the Convention and having concluded that these paragraphs are not adequate (*para. 10.2*),

Having agreed to begin a process to enable the Conference of the Parties to take appropriate action for the period beyond 2000 (the "Berlin Mandate") including the strengthening of the commitments of the Parties included in Annex I to the Convention in Article 4.2(a) and (b), through the adoption of a protocol or another legal instrument,

Recognizing that, according to the Berlin Mandate, the process will not introduce any new commitments for Parties not included in Annex I, but reaffirm existing commitments in Article 4.1 and continue to advance the implementation of these commitments in order to achieve sustainable development, taking into account Article 4.3, 4.5 and 4.7 (*para. 19.1*),

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[10] *Paragraph numbers in parentheses indicate those paragraphs in the negotiating text by the Chairman (FCCC/AGBM/1997/3/Add.1) covered by this proposal.*

[11] *In order to avoid duplication, this reference to all the provisions of the Convention captures those paragraphs of the negotiating text (paras. 10, 10.3-10.7, 10.9, 10.10, 13.2-13.4, 15-15.3 and 19) which repeat Convention language or recall its provisions.*

Noting the second assessment report of the Intergovernmental Panel on Climate Change (*para. 11.1*),

Have agreed as follows:]

Alternative B

[1. Recalling decision 1/CP.1 of the Conference of the Parties at its first session held at Berlin from 28 March to 7 April 1995 on the Berlin mandate,

1.1 Recalling [Article 7.2][the provisions]of the Convention and taking into account that this Protocol is a related legal instrument to the Convention,

1.2 Recognizing the necessity of urgently limiting their anthropogenic emissions of greenhouse gases and of protecting and enhancing their greenhouse gas sinks and reservoirs in order to mitigate the adverse effects of climate change (*para. 11*),

1.3 Taking note that many of the Parties included in Annex I to the Convention need to make additional efforts to overcome difficulties that they face in achieving the return of their emissions of greenhouse gases to 1990 levels by 2000, and recognizing the necessity for emission limitations and significant overall reductions within specified time-frames with respect to their anthropogenic emissions by sources and removals by sinks of greenhouse gases not controlled by the Montreal Protocol on Substances that Deplete the Ozone Layer, 1987, as adjusted and amended (hereinafter referred to as the "Montreal Protocol") (*para.11.2*),

1.4 Recognizing that policies and measures undertaken by developed country Parties to limit or reduce their emissions of greenhouse gases likely will have adverse economic and/or social impacts upon many developing countries, including, but not limited to, countries with economies that are highly dependent on income generated from the production, processing and export of fossil fuels, and that such impacts will have an adverse effect on the ability of such countries to achieve the economic and social development and poverty eradication that are the first and overriding priorities of developing countries (*para. 12*),

1.5 Aware of the advantages of coordinating relevant measures and strategies, including specific administrative and economic instruments to achieve the objective of the Convention (*para. 13*),

1.6 Acknowledging that in accordance with the principle of common but differentiated responsibilities Parties to the Convention and this Protocol should in future re-examine the impact of global efforts to combat climate change and the adverse effects thereof, (*para 13.1*),

1.7 Noting that there are many uncertainties in predictions of climate change, particularly with regard to the timing, magnitude and regional patterns thereof (*para 13.2*),

1.8 Reaffirming that Parties should take precautionary measures to anticipate, prevent, or minimize the causes of climate change and mitigate its adverse effects and that, where there are threats of serious or irreversible damage, lack of full scientific certainty should not be used as a reason for postponing such measures (*para 13.3*),

1.9 Recognizing that low-lying and other small island countries, countries with low-lying coastal, arid and semi-arid areas or areas liable to floods, drought and desertification, and developing countries with fragile mountain ecosystems are particularly vulnerable to the adverse effects of climate change (*para 13.4*),

1.10 Recognizing the special difficulties of those countries, especially developing countries, whose economies are particularly dependent on fossil fuel production, use and exportation, as a consequence of action taken on limiting greenhouse gas emissions (*para 15.1*),

1.11 This Protocol contains indicators on the limitation and reduction of greenhouse gas emissions which are genuinely feasible for Parties and which are developed on the principles of the common but differentiated responsibilities of States and ecologically sustainable development (*para. 14.1*),

1.12 This Protocol includes mechanisms provided by the Convention without any change or replacement of the statements and principles of the Convention. Where necessary, the Protocol also permits the use of additional mechanisms, which do not contradict the Convention and facilitate implementation of the objectives of the Protocol (*para. 14.2*),

1.13 This Protocol takes into account, to the maximum degree, the real contribution of each Party to the implementation of its commitments under the Convention on the limitation and reduction of greenhouse gas emissions to the atmosphere and the enhancement of their removal (*paras.14.3*),

1.14 Reaffirming the need for a comprehensive approach in addressing climate change, to include all relevant greenhouse gases in all economic sectors by sources and removals by sinks, mitigation as well as adaptation to climate change (*para. 16*),

1.15 Acknowledging the potential contribution of the elimination of subsidies, and other economic incentives, including tax incentives, to reduction of greenhouse gas emissions in Annex I countries, [and therefore highest priority should be given to those policies in implementing their commitments] (*para.16.1*),

1.16 Recognizing that the purpose of this Protocol is to facilitate the achievement of the ultimate objective indicated in Article 2 of the Convention, by the adoption of specific new commitments by the Parties included in Annex I, and also by the implementation of voluntary measures, which could be taken by all Parties, to set quantitative emission limitation and reduction objectives, and enhance greenhouse gas sinks and reservoirs within specified time-frames beyond 2000 (*para. 17*),

1.17 Recognizing the need to reduce global emissions of greenhouse gases and taking into account historical emissions and the specific responsibilities of the countries which have contributed to a greater extent than others to the rise in concentrations of these gases, and recognizing the specific, special and differentiated needs of the Parties, for the purpose of securing a stabilization in the concentrations of greenhouse gases in the atmosphere, in such a way as to prevent anthropogenic interference with the climate system, ecosystems, economic output and the development of future generations (*para. 18*),

1.18 Recognizing that economic development is a priority for the developing countries, and that they have low per capita levels of greenhouse gas emissions, we reaffirm that they are sovereign as regards the reduction of their emissions of greenhouse gases (*para. 18.1*),

1.19 Recognizing that, against the above background, there is a need to shoulder a common but differentiated responsibility, in keeping with the capability of each Party, to generate the broadest possible co-operation, among all the Parties, in working towards the objectives of the Convention, and any other instrument stemming from it (*para. 18.2*),

1.20 Affirming that compliance with the principal obligations on the part of the Annex I countries is of fundamental importance for the full implementation of emission reduction measures, but within that context, we recognize that the contribution of joint implementation cannot be left aside, as a differentiated, voluntary and complementary measure of joint responsibility, in order to contribute to a greater extent to the global mitigation and reduction of emissions of greenhouse gases, the transfer of technology for the control, reduction and prevention of anthropogenic emissions, and education, training and awareness-raising with regard to climate change and technology transfer (*para. 18.3*),

1.21 We affirm that, in parallel to the matters mentioned above, it is of fundamental importance within the framework of the discharge of the principal obligations and the pursuit of joint implementation projects, to support the promotion of the sustainable management of the conservation and development of sinks and reservoirs of greenhouse gases, which are not regulated by the Montreal Protocol, such as biomass, forests, ecosystems and oceans, inasmuch as they benefit humankind by generating two environmental services, that of sustaining biological diversity, and that of trapping and substantially reducing anthropogenic emissions of greenhouse gases (*para. 18.4*),

1.22 Recognizing that, through compliance with their principal obligations, together with the pursuit of joint implementation projects, the Annex I countries can contribute to funding the incremental costs involved in the application of sound policies and measures falling under national programmes for sustainable development in the developing countries, including the enhancement of the global environmental benefits of ecosystems which act as sinks and reservoirs of greenhouse gases, as against the present development of lower-cost technologies, which increase global emissions of greenhouse gases (*para. 18.5*),

1.23 Recognizing the need to avoid the creation of "greenhouse gas polluter havens", renewed emphasis is placed on the need for the quantification, reporting, reduction and mitigation of emissions of greenhouse gases, to be conducted at the national level (*para. 18.6*),

1.24 Recognizing the benefits from co-operation in response to the threat of global climate change and affirming the necessity of broad participation among the Parties to the Convention at the earliest possible date in limitation of greenhouse gas emissions and enhancement of sinks if the objective of the Convention is to be met,

1.25 Affirming the importance of cost effectiveness of responses as the basis for broad based and equitable responses,

1.26 Recognizing the critical role flexibility plays in leading to cost effective responses,

1.27 Affirming the importance of establishing a process for developing an approach in the longer term for establishing a concentration based approach to future emission limitation goals,

1.28 Recognizing that effective reporting, monitoring verification and enforcement methodologies must be developed and applied at the earliest possible date by all Parties,

1.29 Acknowledging the on-going work of the IPCC in improving our understanding of the climate system,

1.30 Reaffirming the importance of taking a comprehensive approach to emission limitation approaches,

1.31 Reaffirming the importance of developing and diffusing new technologies to increase productivity and improve energy efficiency while reducing greenhouse gas emissions,

1.32 Reaffirming the importance of taking into account the differences in starting points and approaches, economic structures and resource bases of Parties, the need to maintain strong and sustainable economic growth, available technologies and other individual circumstances, as well as the need for equitable and appropriate contributions by each of the Parties to the global effort,

1.33 Have agreed as follows:]

2. Definitions

2. For the purposes of this Protocol, the following definitions shall apply:

[2.1 These are additional to the definitions in Article 1 of the Convention.]

[2.2 "Annex _ Parties" means Parties included in Annex _ (*listing of Parties*).]

[2.3 "Annex I Parties" means [the developed country Parties and other developed] Parties included in Annex I to the Convention [, that are also Parties to this Protocol.]]

[2.4 "Annex III Parties" means developing country Parties whose economies are highly dependent on the exploitation, production, processing and exportation of fossil fuels.]

[2.5 "Anthropogenic emission" means the total emissions of greenhouse gases into the atmosphere within the territory of a Party caused by human activity during a concrete period.]

[2.6 "Anthropogenic sink" means the total removal of greenhouse gases from the atmosphere within the territory of a Party caused by human activity during a concrete period.]

[2.7 "Change in per capita economic welfare" means the change in per capita gross national expenditure resulting from mitigation action.]

[2.8 "Compensation mechanism" means the mechanism which shall be established by this Protocol to compensate social and economic losses arising from the implementation of the present instrument sustained by Annex III Parties.]

[2.9 "Conference of the Parties" means the Conference of the Parties to the Convention established pursuant to Article 7 of the Convention.]

[2.10 "Convention" means the United Nations Framework Convention on Climate Change done at New York on 9 May 1992 [and adopted for signature in Rio de Janeiro on 4 June 1992].]

[2.11 "Depositary" means the Depositary designated in Article 19 of the Convention.]

[2.12 "Domestic emission" means emissions of greenhouse gases that take place within the territory of a country.]

[2.13 "Effective emissions", in a given time period, means the increase in global mean surface temperature at the end of the period, as determined by an agreed climate change model, resulting from both the net anthropogenic emissions of an agreed set of greenhouse gases, in each year of that time period, and from the initial concentrations of those greenhouse gases in the beginning of the period.]

[2.14 "Emission intensity of exports" means the ratio of emissions generated domestically by the export sector with the total value of exported goods and services, for the agreed reference period.]

[2.15 "Emission intensity of GDP" means the ratio of emissions to GDP, for the agreed reference period.]

[2.16 "Fossil-fuel intensity of exports" means the emissions content of fossil fuel exports as a proportion of the value of total exports of goods and services, for the agreed reference period.]

[2.17 "Global warming potential" means the numerical parameter used for the calculation of the emission of one metric tonne of one or more other greenhouse gas in such an amount of CO_2 which causes the same greenhouse effect as one metric tonne of this gas.]

[2.18 "Greenhouse gas" means any [greenhouse] gas [with a greenhouse effect not controlled by the Montreal Protocol] [for which a GWP is set forth/covered] in Annex [C] (*list of greenhouse gases*) of this Protocol.]

[2.19 "Greenhouse gas emission mitigation certificate" means an environmental mechanism and financial instrument by means of which the Annex I Parties can demonstrate their contribution as financial partners in the implementation of joint implementation projects, making it possible to reduce global emissions that cause the greenhouse effect, generating overall environmental benefits that make themselves felt through the certification of metric tons of carbon equivalent offset, which, taken together, represents the value of the investment made in mitigation.]

[2.20 "Indicator" means _ .]

[2.21 "Joint implementation" means a voluntary action between Annex I Parties and non-Annex I Parties to the United Nations Framework Convention on Climate Change by means of which the corresponding measures to mitigate climate change through the limitation and reduction of anthropogenic emissions of greenhouse gases and the protection and enhancement of sinks and reservoirs of greenhouse gases can be carried out jointly in the territory of non-Annex I Parties in order to make an overall contribution to the attainment of the objectives of the Convention.]

[2.22 "Meeting of the Parties" means the Conference of the Parties established pursuant to Article _ (*Meeting of the Parties*) of this Protocol.]

[2.23 "Montreal Protocol" means the 1987 Montreal Protocol on Substances that Deplete the Ozone Layer, as subsequently adjusted and amended.]

[2.24 "National emission" means emissions of greenhouse gases attributable to an activity performed by a citizen or a company of a country.]

[2.25 "Net anthropogenic emissions" of [greenhouse gases/a given greenhouse gas not controlled by the Montreal Protocol] [means/is] the [calculated] difference between [anthropogenic] emissions [by sources] and [anthropogenic] [removals by] sinks [of that greenhouse gas in that year/during the concrete period.]]

[2.26 "Objective" means the ultimate objective stated in Article 2 of the Convention.]

[2.27 "[Parties/Party]" means [unless otherwise stipulated,] [the Parties/a Party] to this Protocol.]

[2.28 "Parties" means those States or regional economic integration organizations (as defined in Article 1, paragraph 6 of the Convention) as to which this Protocol has entered into force in accordance with its terms.]

[2.29 "Parties to the Convention" means [those States or regional economic integration organizations/Parties] for whom the Convention has [legally] entered into force in accordance with [its terms/the provisions of the Convention], [whether or not they are Parties to this Protocol.]]

[2.30 "Pre-industrial level" in relation to global average temperatures means the 1860 to 1880 average global mean surface temperature.]

[2.31 "Principles" means, unless the context otherwise requires, the principles stated in Article 3 of the Convention.]

[2.32 "Projected population growth" means the projected percentage change in population level for the period for which a QELRO applies relative to the agreed reference period.]

[2.33 "Projected real GDP per capita growth" means the projected percentage change in real per capita GDP level for the period for which a QELRO applies relative to the agreed reference period.]

[2.34 "Protocol" means this _.]

[2.35 "Quota of net anthropogenic emissions of greenhouse gases" means the total sum of annual net anthropogenic emissions of greenhouse gases (calculated in terms of carbon equivalent) permitted by this Protocol for a Party for this period of commitments.]

[2.36 "Secretariat" means the [permanent] secretariat [designated by the Conference of the Parties in accordance with/established under] Article 8 of the Convention.]

[2.37 "Tonne of carbon equivalent" means [one metric tonne of carbon, or a quantity of one or more other greenhouse gases equivalent to one metric tonne based on the GWPs decided by the Parties in accordance with Annex [C] of this Protocol/the amount of CO_2 (or other greenhouse gas calculated by GWP) in terms of tonnes of carbon.]]

[2.38 "Voluntary goal" means _.]

[2.39 Unless the context of a provision otherwise indicates, the plural form of the terms defined in paragraphs _ shall include the singular.]

B. Institutions and mechanisms

1. Conference/Meeting of the Parties

Alternative A

[3. The Conference of the Parties to the Convention shall serve as the Conference of the Parties to the Protocol. [Subject to paragraphs _ below, the provisions of Article 7.2 to 7.6 of the Convention shall apply mutatis mutandis to its functioning with regard to the Protocol.]

3.1 In accordance with Article 17.5 of the Convention, when the Conference of the Parties exercises its functions with regard to matters concerning the Protocol, decisions shall be taken only by those of its members that are, at the same time, Parties to the Protocol.

3.2 When the Conference of the Parties exercises its functions with regard to matters concerning the Protocol, any member of the Bureau of the Conference of the Parties representing a Party to the Convention, but, at the same time, not a Party to the Protocol, shall be substituted by an additional member to be elected by and from the Parties to the Protocol.

3.3 The Conference of the Parties, at its first session after entry into force of this Protocol, shall decide upon modalities for the conduct of business on matters relating to this Protocol.

[3.4 The Parties shall make every effort to reach agreement by consensus on all matters of substance and on financial questions. If all efforts to reach consensus have been exhausted and no agreement has been reached, the decision shall, as a last resort, be taken by a [two-thirds] majority vote of both Parties to this Protocol included [in Annex I to the Convention] present and voting, and Parties to this Protocol [not included in Annex I to the Convention] present and voting.]]

Alternative B

[4. A Meeting of the Parties is hereby established. The Meeting of the Parties shall keep under regular review the implementation of the Protocol and shall make, within its mandate, the decisions necessary to achieve its effective implementation. To this end, it shall:

(a) Periodically review the commitments of the Parties and the institutional arrangements under the Protocol, in the light of the objective and principles of the Convention, the experience gained in the implementation of the Protocol and the evolution of scientific and technological knowledge;

(b) Adopt targets and timetables referred to in Article _;

(c) Review and revise the commitments of Annex I Parties referred to in

Article _;

(d) Receive, review and ensure the publication of information submitted to it, including the reports submitted by Parties pursuant to Article _;

(e) Regularly assess the overall aggregated effect of the steps taken by Annex I Parties in the light of the latest scientific assessments concerning climate change, and of the Protocol's objective, and ensure the publication of such assessments;

(f) At its first Meeting, agree upon and adopt by consensus, rules of procedure and financial rules for itself and for any subsidiary body;

(g) Receive reports from, and if necessary give guidance to, the financial mechanism and to subsidiary bodies on matters relating to the implementation of this Protocol;

(h) Seek and utilize, where appropriate, the services and co-operation of, and information provided by, competent international organizations and intergovernmental and non-governmental bodies;

(i) Establish further subsidiary bodies as may be deemed necessary for the implementation of the Protocol;

(j) Make recommendations on any matters necessary for the implementation of this Protocol;

(k) Consider and, if approved, adopt proposals for any amendment of or addition to this Protocol or any annex thereto; and

(l) Exercise such other functions as are required for the implementation of this Protocol, including any functions assigned to it by the Conference of the Parties.

4.1 The secretariat shall convene the first Meeting of the Parties not later than one year after the date of the entry into force of this Protocol and, if feasible, in conjunction with a meeting of the Conference of the Parties. Thereafter, ordinary sessions of the Meeting of the Parties shall be held every year in conjunction with sessions of the Conference of the Parties, unless otherwise decided by the Meeting of the Parties.

4.2 Extraordinary sessions of the Meeting of the Parties shall be held at such other times as may be deemed necessary by the Meeting of the Parties, or at the written request of any Party, provided that, within six months of such a request being communicated to the Parties by the secretariat, it is supported by at least one third of the Parties.

4.3 The United Nations, its specialized agencies and the International Atomic Energy Agency, as well as any State not party to this Protocol, may be represented at any

Meeting of the Parties as observers. Any body or agency, whether national or international, governmental or non-governmental, which is qualified in matters covered by the Protocol and which has informed the secretariat of its wish to be represented at a session of the Meeting of the Parties as an observer, may be so admitted unless at least one third of the Parties present object. The admission and participation of observers shall be subject to the rules of procedure adopted by the Parties at their first Meeting.

4.4 The first Meeting of the Parties shall adopt by consensus financial rules, in accordance with guidance received from the Conference of the Parties, to ensure that any additional funds for the operation of this Protocol are provided by the Parties to this Protocol.]

2. Secretariat

5 The secretariat established by Article 8 of the Convention shall serve as the secretariat to this Protocol.

5.1 Arrangements made for its functioning under Article 8.3 of the Convention shall apply mutatis mutandis to the Protocol.

5.2 The costs of secretariat services for this Protocol shall be met only by Parties thereto to the extent that these are distinct.

3. Subsidiary Bodies

[6 The Subsidiary Body for Scientific and Technological Advice and the Subsidiary Body for Implementation of the Convention (hereinafter referred to as "the Subsidiary Bodies") shall serve as the Subsidiary Body for Scientific and Technological Advice and the Subsidiary Body for Implementation of the Protocol. [Their functioning with respect to the Convention shall apply mutatis mutandis to the Protocol.]

6.1 When the Subsidiary Bodies exercise their functions with regard to matters concerning the Protocol, decisions shall be taken only by those of their members that are, at the same time, Parties to the Protocol.

6.2 When the Subsidiary Bodies exercise their functions with regard to matters concerning the Protocol, any member of the bureau of the Subsidiary Bodies representing a Party to the Convention, but, at the same time, not a Party to the Protocol, shall be substituted by an additional member to be elected by and from the Parties to the Protocol.]

[4. Coordination mechanism

7. A mechanism to facilitate Annex I Parties' coordination of measures developed to achieve the objective of the Convention is hereby established to provide the Meeting of the Parties and, as appropriate, the institutions established by the Convention and

other relevant international organizations with timely advice on the coordination of such measures.

7.1 The mechanism shall provide advice on the full range of measures the coordination of which could assist Annex I Parties implement their commitments to combat climate change and the adverse effects thereof. These measures shall include, inter alia, the coordination of economic instruments such as taxes or subsidies, administrative instruments such as least cost or integrated resource planning, energy efficiency standards and recycling, and specific measures covering the industrial, energy, transportation, land use, agriculture, waste management and forestry sectors.

7.2 The mechanism shall be open to participation by all Parties to this Protocol and shall be multi-disciplinary. It shall comprise governmental representatives competent in the relevant field of expertise. It shall report regularly to the Meeting of the Parties on all aspects of its work.

7.3 The functions, terms of reference, organization and operation of this mechanism shall be elaborated further at the first Meeting of the Parties.]

5. Financial mechanism

8. The financial mechanism defined in Article 11 of the Convention, as well as the entity or entities entrusted with its operation, shall serve as the financial mechanism and entity or entities for the purpose of the Protocol [and for matters that relate solely to activities under the Protocol shall function under the guidance of and be accountable to the Conference of the Parties to this Protocol.]

6. Review of information and review of implementation and compliance[[12],[13]]

Alternative A

[9. A team of experts commissioned by the secretariat shall review the information of each Party submitted in accordance with paragraph _ above. The team of experts shall report the results of the review to the Meeting of the Parties.

9.1 If the Meeting of the Parties, on receipt of the reports referred to in paragraph _ above,

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[12] *With respect to measurement, reporting and communication, and indeed related reviews, a decision was made to transfer these issues to the institutions section - after substantive issues had been considered in related working groups - to form part of the compliance package. Some of these provisions may therefore need to be subsequently generalized, for instance if the reporting and review undertakings are to cover commitments of the agreement as a whole, rather than QELROs only.*

[13] *Proposals on "Review of Commitments" contained in section III of document FCCC/AGBM/1997/3/Add.1, notably paragraph 181, should be included in this section of the text and considered in discussions on institutions and mechanisms.*

concludes that a Party is under difficulty in achieving the quantified objective referred to in Article _, the Meeting shall make recommendations to the Party. The Party which received such recommendations shall review its policies and measures, and submit the results of its review to the Meeting of the Parties within one year of making such recommendations.]

Alternative B

[10. In addition to the review of communications conducted under Article 10.2(b) of the Convention, the Parties, at a meeting, shall consider the information submitted by Annex [Q] and Annex [Q1] Parties under Article _ in order to assess those Parties' implementation of their obligations.

10.1 Reviews will be conducted by expert review teams, which will be coordinated by the secretariat and composed of experts selected from those nominated by Parties and, as appropriate, by intergovernmental organizations.

10.2 Reviews will be in accordance with guidelines to be adopted by the Parties. These guidelines shall, inter alia, provide for how information will be made available to the public and define mechanisms by which observers and the public may provide comments, supplemental data or other information to facilitate and improve reviews. The guidelines shall be periodically reviewed by the Parties for appropriate revision.

10.3 Review teams will review all aspects of a Party's implementation of this Protocol, including the likelihood that a Party will achieve its emissions budgets obligations. They will prepare a report assessing a Party's implementation of its obligations, identifying any areas of apparent non-compliance, as well as potential problems in achieving obligations. Reports will be provided to the Parties.

10.4 Based on such reports, the Parties, at a meeting, may make recommendations to a Party. In such case, the Party shall review its implementation, take appropriate action, and report back to the next meeting of the Parties on its action.

10.5 There would also be provisions setting forth various consequences for non-compliance with obligations, as determined by the Parties. Consequences would correspond to the type, degree, and frequency of non-compliance. Some would be automatic, while others might be discretionary. Consequences could include, for example:

(a) Denial of the opportunity to sell tonnes of carbon equivalent emissions allowed through international emissions trading and/or joint implementation; and

(b) Loss of voting rights and/or other opportunities to participate in processes under the Protocol.]

Alternative C

[11. The Meeting of the Parties shall receive, review and ensure the publication of information submitted to it, including the reports submitted by Parties pursuant to Article _. Based on its reviews, it shall make recommendations on any matter necessary for the implementation of the Protocol.]

Alternative D

[12. The Conference of the Parties and its appropriate subsidiary bodies shall receive, through the secretariat, national communications and ensure their in-depth review. Based on such review, the Conference of the Parties shall make recommendations on any matter necessary for the implementation of the Protocol/legal instrument.]

7. Multilateral consultative process

13. The Parties to the Protocol, [at their first meeting] after the entry into force of the Protocol, [or as soon as practicable thereafter,] shall [establish/consider] [the establishment/application to the Protocol] of [a multilateral consultative process] [or] [the multilateral consultative process referred to in Article 13 of the Convention] [available to Parties on their request for the resolution of question regarding the implementation of the Protocol] [to promote the effective implementation of the Protocol.]

8. Dispute settlement

Alternative A

[14. The provisions of Article 14 to the Convention shall apply mutatis mutandis to this Protocol.]

Alternative B

[15. When ratifying, accepting, approving or acceding to the Protocol, a Party which is not a regional economic integration organization may declare in a written instrument submitted to the Depositary that, in respect of any dispute concerning the interpretation of this Protocol, [concerning the implementation of commitments (or of any other provision of this Protocol necessary to the interpretation or application of this Protocol) any claim made pursuant to the Article concerning the economic injuries sustained by developing countries, [and the Article on the compensation mechanism] it recognizes as compulsory ipso facto and without special agreement, in relation to any Party [to the Convention]] accepting the same obligation:

(a) [Submission of the dispute to the International Court of Justice; and/or]

(b) Arbitration in accordance with procedures to be adopted by the

Conference of the Parties.

15.1 A Party which is a regional economic integration organization may make a declaration with like effect in relation to arbitration in accordance with the procedures referred to in subparagraph (b) above]

Alternative C

[16. Provisions on mandatory, binding dispute settlement [with specific consequences flowing from a violation] among Annex [Q] and Annex [Q1] Parties, as well as against other Parties as appropriate (for example, host countries under Article _) and stating that this process would be without prejudice to the review and compliance process under Article _.]

C. Final elements

1. Amendments

Alternative A

[17. Any Party to the Protocol may propose amendments to the Protocol.

17.1 Amendments to the Protocol shall be adopted at [a Meeting of the Parties/an ordinary session of the Conference of the Parties]. The text of any proposed amendment to the Protocol shall be communicated to the Parties by the secretariat at least six months before the session at which it is proposed for adoption. The secretariat shall also communicate proposed amendments to the signatories to the Protocol and, for information, to the Depositary.

17.2 The Parties to the Protocol shall make every effort to reach agreement on any proposed amendments to the Protocol by consensus. If all efforts at consensus have been exhausted, and no agreement reached, the amendment shall as a last resort be adopted by a [two-thirds/three-fourths] [double two-thirds...] majority vote of the Parties present and voting at the meeting. The adopted amendment shall be communicated by the secretariat to the Depositary, who shall circulate it to all Parties for their acceptance.

17.3 Instruments of acceptance in respect of an amendment shall be deposited with the Depositary. An amendment adopted in accordance with paragraph _ above shall enter into force for those Parties having accepted it on the ninetieth day after the date of receipt by the Depositary of an instrument of acceptance by at least [two-thirds/three-fourths] of the Parties to the Protocol.

17.4 The amendment shall enter into force for any other Party on the ninetieth day after the date on which that Party deposits with the Depositary its instrument of acceptance of the said amendment.

17.5 For the purposes of this Article, "Parties present and voting" means Parties to the Protocol present and casting an affirmative or negative vote.]

Alternative B

[18. Any Party to the Convention may propose amendments to this Protocol. For purposes of Article 17.5 of the Convention, the phrase "Decisions under any Protocol" shall not be interpreted or applied to include adoption of an amendment to this Protocol. The authority to adopt the foregoing is vested in the Conference of the Parties.

18.1 Amendments to this Protocol may be adopted only at an ordinary session of the Conference of the Parties by consensus. The text of any proposed amendment shall be prepared in one of the following languages: Arabic, Chinese, English, French, Russian and Spanish, and shall be translated into each of the other languages, and the secretariat shall communicate the text of the proposed amendment to each of the Parties to the Convention in one of those languages reasonably believed by the secretariat to be preferred by the Party to the Convention at least six months before the meeting of the Conference of the Parties at which it is proposed for adoption. The secretariat also shall communicate proposed amendments to the signatories to the Convention and, for information, to the Depositary.

18.2 An adopted amendment shall be communicated by the secretariat to the Depositary, who shall circulate it to each of the Parties for ratification or acceptance in one of the languages identified in paragraph _ above that is reasonably believed by the Depositary to be preferred by the Party. Instruments of ratification or acceptance in respect of an amendment shall be deposited with the Depositary. An amendment adopted in accordance with paragraph _ above shall enter into force for those Parties having ratified or accepted it on the ninetieth day after the date of receipt by the Depositary of an instrument of ratification or acceptance by at least three fourths of the Parties.

18.3 An adopted amendment shall enter into force for any other Party on the ninetieth day after the date on which that Party deposits with the Depositary its instrument of ratification, acceptance or accession with respect to the amendment.]

2. Relationship to the Convention

Alternative A

[19. Parties shall bear in mind that the Conference of the Parties, as the supreme body of the Convention, must also keep under regular review the implementation of any related legal instruments, such as this Protocol.

19.1 With a view to avoiding duplication, overlap and conflicts between the institutional structures and mechanisms and procedures established or defined by the Convention and those established or defined by the Protocol, the Parties to the Protocol may seek guidance on these

matters from the Conference of the Parties.

19.2 Except as otherwise provided in this Protocol, the provisions of the Convention relating to its protocols shall apply to this Protocol.

19.3 (*To be taken up in conjunction with other parts of the draft.*)]

Alternative B

[20. New commitments of the Parties adopted under the instrument do not cancel, reconsider or prolong commitments adopted by Annex I Parties for the period before 2000 (see Article 4.2(a) and (b) of the Convention).]

Alternative C

[21. The Protocol/another legal instrument is a supplement to, and is an integral part of, the Convention.]

3. Adoption and amendment of annexes[14]

Alternative A

[22. Annexes to the Protocol shall form an integral part thereof and, unless otherwise expressly provided, a reference to the Protocol constitutes at the same time a reference to any annexes thereto. Without prejudice to the provisions of Articles _ [such annexes other than those adopted together with the Protocol shall be restricted to lists, forms and any other material of a descriptive nature that is of a scientific, technical, procedural or administrative character.]

22.1 Any Party may make proposals for an annex to the Protocol and may propose amendments to annexes to the Protocol.

22.2 Proposals for an annex to the Protocol and [save as provided in paragraph _ below] for amendments to annexes to the Protocol shall be adopted at a session of the Conference of the Parties. The text of any proposed annex to the Protocol shall be communicated to the Parties by the secretariat at least three months before the session at which it is proposed for adoption. The secretariat shall also communicate any proposed annex to the Protocol or any amendment to an annex to the Protocol to the signatories to the Protocol and, for information, to the Depositary.

22.3 The Parties shall make every effort to reach agreement on any proposed annex to the Protocol or amendment to an annex to the Protocol by consensus. If all efforts at consensus have been exhausted, and no agreement reached, the annex or amendment shall as a last resort be

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[14] *If required.*

adopted by a [two-thirds]/[three-fourths]/[double two-thirds...] majority vote of the Parties present and voting at the meeting. The adopted annex or amendment shall be communicated by the secretariat to the Depositary, who shall circulate it to all Parties for their acceptance.

22.4 An annex that has been adopted or amended in accordance with paragraphs _ above shall enter into force for all Parties to the Protocol six months after the date of the communication by the Depositary to such Parties of the adoption or amendment of the annex, except for those Parties that have notified the Depositary, in writing, within that period of their non-acceptance of the annex or amendment. The annex or amendment shall enter into force for Parties which withdraw their notification of non-acceptance on the ninetieth day after the date on which withdrawal of such notification has been received by the Depositary.

22.5 If the adoption of an annex or an amendment to an annex involves an amendment to the Protocol, that annex or amendment to an annex shall not enter into force until such time as the amendment to the Protocol enters into force.

[22.6 Proposals for amendments to Annex[es] _ to the Protocol shall be adopted and enter into force in accordance with the procedure laid down in Article _]

22.7 For the purposes of this Article, "Parties present and voting" means Parties present and casting an affirmative or negative vote.]

Alternative B

[23. Elaboration of any annexes dealing with lists in Annexes I and II to the Convention, and any other listings of the Parties shall be in accordance with Article 4.2(f) and 4.2(g) of the Convention, taking into account Article 4.2(d) of the Convention.]

Alternative C

[24. Any Party to the Convention may propose annexes to this Protocol, and amendments to annexes to this Protocol. For purposes of Article 17.5 of the Convention, the phrase "Decisions under any Protocol" shall not be interpreted or applied to include adoption of an annex to this Protocol nor amendment to any such annex. The authority to adopt any of the foregoing is vested in the Conference of the Parties.

24.1 Annexes to this Protocol shall form an integral part thereof and, unless otherwise expressly provided, a reference to this Protocol constitutes at the same time a reference to any annexes thereto. Such annexes shall be restricted to lists, forms and any other material of a descriptive nature that is of a scientific, technical, procedural or administrative character.

24.2 Annexes to this Protocol and amendments to such annexes shall be adopted in accordance with the procedures set forth in paragraphs _. Entry into force of annexes to this Protocol and of amendments to such annexes shall be subject to the same procedure and requirements for entry

into force of amendments to this Protocol that are set forth in paragraphs _ provided that if the adoption of an annex or an amendment to an annex involves an amendment to this Protocol, that annex or amendment to an annex shall not enter into force until such time as the amendment to this Protocol enters into force.]

4. Right to vote

Alternative A

[25. The provisions of Article 18 of the Convention shall apply mutatis mutandis to this Protocol.]

Alternative B

[26. Each Party to the Protocol shall have one vote, except as provided for in paragraph _ below.

26.1 Regional economic integration organizations, in matters within their competence, shall exercise their right to vote with a number of votes equal to the number of their member States that are Parties to the Protocol. Such an organization shall not exercise its right to vote if any of its member States exercises its right, and vice versa.]

[5. Relationship to other agreements

27. The instrument shall not derogate from the rights and obligations of Parties under existing international agreements and, in particular, shall not derogate from the provisions of the Agreement Establishing the WTO or affect the rights and obligations of Members of the WTO.]

6. Depositary

28. The provisions of Article 19 of the Convention shall apply [mutatis mutandis] to this Protocol.

7. Signature

Alternative A

[29. The Protocol shall be open for signature at Kyoto by Parties to the Convention during the third session of the Conference of the Parties to the Convention, and thereafter at United Nations Headquarters in New York from _ to _.]

Alternative B

[30. This Protocol shall be open for signature by States and by regional economic integration organizations in _ on _, in _ from _ to _, and at United Nations Headquarters from _ to _.]

Alternative C

[31. This Protocol shall be open for signature by Parties to the Convention at Kyoto [during the third session of the Conference of the Parties to the Convention] on [12 December 1997], in Tokyo [at the Ministry of Foreign Affairs of Japan] from [13 December 1997] to [31 December 1997] and at United Nations Headquarters in New York from [1 January 1998 to 11 December 1998.]]

[8. Provisional application

32. Any signatory to the Protocol may notify the Depositary that it intends to apply this Protocol provisionally prior to the entry into force of the Protocol for it.]

9. Ratification, acceptance, approval or accession

Alternative A

[33. The Protocol shall be subject to ratification, acceptance, approval or accession by States and by regional economic integration organizations which are Parties to the Convention. It shall be open for accession from the day after the date on which the Protocol is closed for signature. Instruments of ratification, acceptance, approval or accession shall be deposited with the Depositary.

33.1 Any regional economic integration organization which becomes a Party to the Protocol without any of its member States being a Party shall be bound by all the obligations under the Protocol. In the case of such organizations, one or more of whose member States is a Party to the Protocol, the organization and its member States shall decide on their respective responsibilities for the performance of their obligations under the Protocol. In such cases, the organization and the member States shall not be entitled to exercise rights under the Protocol concurrently.

33.2 In their instruments of ratification, acceptance, approval or accession, regional economic integration organizations shall declare the extent of their competence with respect to the matters governed by the Protocol. These organizations shall also inform the Depositary, who shall in turn inform the Parties, of any substantial modification in the extent of their competence.]

Alternative B

[34. The instrument shall be subject to ratification, acceptance, approval or accession by States and by regional economic integration organizations which are parties to the Convention, subject to the conditions set out in Article _. It shall be open for accession from the day after the date on which the instrument is closed for signature. Instruments of ratification, acceptance, approval or accession shall be deposited with the Depositary.]

10. Entry into force

Alternative A

[35. The Protocol shall enter into force on the ninetieth day after the date of deposit of the [thirtieth] [twentieth] [_] instrument of ratification, acceptance, approval or accession.

35.1 For each State or regional economic integration organization which ratifies, accepts or approves the Protocol or accedes thereto after the [deposit of the instrument of ratification, acceptance, approval or accession/fulfilment of the requirements of paragraph _ above] the Protocol shall enter into force on the ninetieth day after the date of deposit by such State or regional economic integration organization of its instrument of ratification, acceptance, approval or accession.

35.2 For the purposes of paragraphs _ above, any instrument deposited by a regional economic integration organization shall not be counted as additional to those deposited by States members of the organization.]

Alternative B

[36. This Protocol shall enter into force on the ninetieth day after the date of the deposit of the [fiftieth] instrument of ratification, acceptance, approval or accession by a Party to the Convention, or the date of the deposit by which the total aggregate emissions for 1990 of [CO_2/ greenhouse gases] of the Parties who have deposited instruments exceed [three-fourths] of the total aggregate emissions of [CO_2/greenhouse gases] of [Parties listed in Annex I to the Convention] [all Parties of the Convention] for 1990, whichever shall be the later.[15]]

36.1 For each Party which ratifies, accepts or approves this Protocol or accedes thereto after the date of entry into force of the Protocol, the Protocol shall enter into force on the ninetieth day after the date of deposit of its instrument of ratification, acceptance, approval or accession.]

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[15] *A baseline for 1990 data will need to be established.*

Alternative C

[37. This instrument shall enter into force on the ninetieth day after ratification, acceptance or accession of all Annex I Parties and on the ninetieth day after implementation of all Annex I Party commitments under the Convention.]

[K. Reservations

38. No reservations may be made to this Protocol.]

L. Withdrawal

Alternative A

[39. The provisions of Article 25, paragraphs 1 and 2, of the Convention relating to withdrawal shall apply mutatis mutandis to this Protocol.

39.1 Any Party which withdraws from the Convention shall, [pursuant to Article 25 of the Convention], be considered as also having withdrawn, from this Protocol.]

Alternative B

[40. At any time after [three years] from the date on which the Protocol has entered into force for a Party, that Party may withdraw from the Protocol by giving written notification to the Depositary.

40.1 Any such withdrawal shall take effect upon expiry of [one year] from the date of receipt by the Depositary of the notification of withdrawal or on such later date as may be specified in the notification of withdrawal.

40.2 Any Party which withdraws from the Convention shall, [pursuant to Article 25 of the Convention], be considered as also having withdrawn from this Protocol.

[40.3 The withdrawal by an Annex _ Party from this Protocol shall not operate to limit its liability for any claim that may have accrued against it pursuant to Article _ (*on economic injuries sustained by developing countries*) prior to the effective date of such withdrawal.]]

M. Authentic texts

41. The original of this Protocol, of which the Arabic, Chinese, English, French, Russian and Spanish texts are equally authentic, shall be deposited with the Secretary-General of the United Nations.

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